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DEPOSITORY

DEPOSITORY INSTITUTION EXAMINATION IMPROVEMENT ACT OF 1986

SEPTEMBER 9, 1986.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. ST GERMAIN, from the Committee on Banking, Finance and Urban Affairs, submitted the following

REPORT

[To accompany H.R. 4917]

[Including cost estimate of the Congressional Budget Office]

The Committee on Banking, Finance and Urban Affairs, to whom was referred the bill (H.R. 4917) to improve the quality of examinations of depository institutions, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Depository Institution Examination Improvement Act of 1986".

SEC. 2. TEMPORARY ASSIGNMENTS AND TRAVEL ALLOWANCES OF FEDERAL EXAMINERS.

The Depository Institutions Examinations Council (as redesignated by section 7(a)) shall prepare guidelines for the Federal depository institutions regulatory agencies which would ensure that any Federal examiner who is temporarily assigned to a place of employment outside the region in which such examiner is regularly employed will receive—

(1) adequate compensation for living expenses incurred in connection with the temporary assignment, taking into account any higher cost-of-living in the place to which the examiner is temporarily assigned; and

(2) adequate amounts for travel expenses to and from the place to which the examiner is temporarily assigned.

SEC. 3. INDEPENDENT AGENCY STATUS OF FEDERAL DEPOSITORY INSTITUTIONS REGULATORY AGENCIES.

(a) INDEPENDENT AGENCY STATUS.—

(1) CERTAIN AGENCIES NOT SUBJECT TO BUDGET REVIEW.—Section 1105 of title 31, United States Code, is amended by adding at the end thereof the following new subsection:

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"(g) Estimated expenditures and receipts of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Administration to be included in the budget under paragraphs (5) and (6) of subsection (a) shall be submitted to the President before October 16 of each year and included in the budget by the President without change.".

(2) AGENCIES NOT SUBJECT TO FISCAL, BUDGET, AND APPROPRIATION REQUIREMENTS.—Section 1101 of title 31, United States Code, is amended by striking out "or the Supreme Court" and inserting in lieu thereof "the Supreme Court, or any agency which is subject to audit by the Comptroller General under section 714".

(3) AGENCIES NOT SUBJECT TO APPORTIONMENT OF FUNDS REQUIREMENT.—Subsection (b) of section 1511 of title 31, United States Code, is amended—

(A) by adding at the end thereof the following new paragraph:

"(4) any agency which is subject to audit by the Comptroller General under section 714.";

(B) by striking out "and" at the end of paragraph (2); and

(C) by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and".

(4) BUDGET REDUCTION EXEMPTION.—

(A) IN GENERAL.—Paragraph (1) of section 255(g) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(i) by inserting after the item relating to compensation of the President the following new item:

"Comptroller of the Currency;";

(ii) by inserting after the item relating to the exchange stabilization fund the following new items:

"Federal Deposit Insurance Corporation;

"Federal Home Loan Bank Board;

"Federal Home Loan Bank Board, Federal Savings and Loan Insurance Corporation;"; and

(iii) by inserting after the item relating to intragovernmental funds the following new items:

"National Credit Union Administration;

"National Credit Union Administration, central liquidity facility;

"National Credit Union Administration, credit union share insurance fund;".

(B) CERTAIN EXPENSES.—Section 256(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding at the end thereof the following new paragraph:

"(4) Notwithstanding any other provision of law, this subsection shall not apply with respect to the following:

"(A) Comptroller of the Currency.

"(B) Federal Deposit Insurance Corporation.

"(C) Federal Home Loan Bank Board.

"(D) Federal Savings and Loan Insurance Corporation.

"(E) National Credit Union Administration.

"(F) National Credit Union Administration, central liquidity facility.".

(5) STAFFING DETERMINATIONS NOT SUBJECT TO OUTSIDE CONTROL.—The number of employees employed by any Federal depository institutions regulatory agency shall not be subject to any limitation imposed by any officer of the executive branch of the Federal Government who is not an officer of such agency.

(b) TECHNICAL AND CONFORMING AMENDMENTS.—

(1)(A) Subsection (a) of section 714 of title 31, United States Code, is amended by striking out "and" and by inserting before the period the following: ", the Federal Home Loan Bank Board, the Federal Home Loan Banks, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Administration".

(B) The heading for such section 714 is amended to read as follows:

"SEC. 714. AUDIT OF FEDERAL DEPOSITORY INSTITUTIONS REGULATORY AGENCIES AND DEPOSITORY INSTITUTIONS EXAMINATIONS COUNCIL.".

(2) Subsection (b) of section 7 of the First Deficiency Appropriation Act, fiscal year 1936 (15 U.S.C. 712a(b)) is amended by striking out paragraphs 1. and 11. and by redesignating paragraphs 2. through 12. as paragraphs (1) through (10), respectively.

(3) The third proviso of the provision appearing under the heading "FEDERAL HOME LOAN BANK ADMINISTRATION" in title I of the Independent Offices Appro-

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priation Act, 1944 (12 U.S.C. 1439a) is amended by striking out ", subject to subsections (a) and (b) of section 7 of the First Deficiency Appropriation Act, 1936".

(4) Paragraph (5) of section 402(c) of the National Housing Act (12 U.S.C. 1725(c)(5)) and section 19 of the Federal Home Loan Bank Act (12 U.S.C. 1439) are each amended by striking out the last sentence.

(5) Subsection (b) of section 7 of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)) is amended by adding at the end thereof the following new paragraph:

"(9) TREATMENT OF AMOUNTS RECEIVED.—Notwithstanding any other provision of law, no amount received by the Corporation pursuant to any assessment under this section or any other income of the Corporation may be construed to be Government funds or appropriated money and no authority of the Corporation to spend or otherwise obligate any such amount may be treated as budget authority, spending authority, credit authority, or as authority to obligate funds of the United States or be subject to any sequestration order or other reduction under the Balanced Budget and Emergency Deficit Control Act of 1985 or any other Act which was enacted before the date of the enactment of the Depository Institution Examination Improvement Act of 1986.".

(6) Section 404 of the National Housing Act (12 U.S.C. 1727) is amended by adding at the end thereof the following new subsection:

"(j) TREATMENT OF AMOUNTS RECEIVED.—No amount received by the Corporation pursuant to any premium assessed under this section, any deposit required under this section, or any other income of the Corporation may be construed to be Government funds or appropriated money and no authority of the Corporation to spend or otherwise obligate any such amount may be treated as budget authority, spending authority, credit authority, or as authority to obligate funds of the United States or be subject to any sequestration order or other reduction under the Balanced Budget and Emergency Deficit Control Act of 1985 or any other Act which was enacted before the date of the enactment of the Depository Institution Examination Improvement Act of 1986.".

(7) The last sentence of section 19 of the Federal Home Loan Bank Act (12 U.S.C. 1439) (as amended by paragraph (4)) is amended by inserting before the period "; no amount received pursuant to such assessments or any other income of the Board may be construed to be Government funds or appropriated money and no authority of the Board to spend or otherwise obligate any such amount may be treated as budget authority, spending authority, credit authority, or as authority to obligate funds of the United States or be subject to any sequestration order or other reduction under the Balanced Budget and Emergency Deficit Control Act of 1985 or any other Act which was enacted before the date of the enactment of the Depository Institution Examination Improvement Act of 1986".

(8) Section 18 of the Federal Home Loan Bank Act (12 U.S.C. 1438(a)) is amended by striking out subsection (a).

(9) Subsection (b) of section 18 of the Federal Home Loan Bank Act (12 U.S.C. 1438(b)) is amended by adding at the end thereof the following new sentence: "No amount received by the board pursuant to any assessment under this subsection or any other income of the board may be construed to be Government funds or appropriated money and no authority under this Act to spend or otherwise obligate any such amount may be treated as budget authority, spending authority, credit authority, or as authority to obligate funds of the United States or be subject to any sequestration order or other reduction under the Balanced Budget and Emergency Deficit Control Act of 1985 or any other Act which was enacted before the date of the enactment of the Depository Institution Examination Improvement Act of 1986.".

(10) The Federal Credit Union Act (U.S.C. 1751 et seq.) is amended—

(A) by adding at the end of section 105 the following new subsection:

"(f) TREATMENT OF AMOUNTS RECEIVED.—No amount received by the Board pursuant to any fee assessed under this section and no amount referred to in subsection (e)(3) shall be construed to be Government funds or appropriated money and no authority under this Act to spend or otherwise obligate any such amount may be treated as budget authority, spending authority, credit authority, or as authority to obligate funds of the United States or be subject to any sequestration order or other reduction under the Balanced Budget and Emergency Deficit Control Act of 1985 or any other Act which was enacted before the date of the enactment of the Depository Institution Examination Improvement Act of 1986."; and

(B) in subsection (b) of section 203, by inserting after the 1st sentence the following new sentence: "No amount deposited in the fund under the preceding sentence shall be construed to be Government funds or appropriated

money and no authority under this Act to spend or otherwise obligate any such amount may be treated as budget authority, spending authority, credit authority, or as authority to obligate funds of the United States or be subject to any sequestration order or other reduction under the Balanced Budget and Emergency Deficit Control Act of 1985 or any other Act which was enacted before the date of the enactment of the Depository Institution Examination Improvement Act of 1986.".

(11) Subsection (c) of section 18 of the Federal Home Loan Bank Act (12 U.S.C. 1438) is amended—

(A) in paragraph (1), by striking out ", and subject to any limitation hereon which may hereafter be imposed in appropriation Acts,";

(B) in paragraph (5), by striking out ", and obligations and expenditures of the board and such agencies in connection with this subsection shall not be considered as administrative expenses";

(C) in the first sentence of paragraph (6), by striking out "(A) annually prepare and submit a budget program as provided in title I of the Government Corporation Control Act with regard to wholly owned Government corporations, and for purposes of this sentence, the terms 'wholly owned Government corporations' and 'Government corporations', wherever used in such title, shall include the board, and (B)"; and

(D) in the second sentence of paragraph (6), by striking out "first budget program shall be for the first full fiscal year beginning on or after the date of the enactment of this subsection, and the".

(12) Paragraph (6) of the Reorganization Plan Numbered 6 of 1961, as ratified and affirmed by the Act entitled "An Act to prevent disruption of the structure and functioning of the Government by ratifying all reorganization plans as a matter of law." and approved October 19, 1984 (98 Stat. 2705), is hereby repealed.

(13) The provision appearing under the heading "LIMITATION ON ADMINISTRATIVE AND EXAMINATION EXPENSES, FEDERAL HOME LOAN BANK BOARD" in title II of the Independent Offices Appropriation Act, 1961 (12 U.S.C. 1438a) is amended by striking out the second proviso.

(14) Paragraph (9) of section 5(d) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(d)(9)) is amended by striking out the last sentence.

(15) Paragraph (3) of section 407(m) of the National Housing Act (12 U.S.C. 1730(m)(3)) is amended by striking out the second to last sentence.

(16) Section 408(h) of the National Housing Act (12 U.S.C. 1730a(h)(6)) is amended by striking out paragraph (6).

(17) Section 209(b) of the Federal Credit Union Act (12 U.S.C. 1789(b)) is amended by striking out paragraph (1).

(18) Paragraph (2) of section 9101 of title 31, United States Code, is amended by adding at the end thereof the following new subparagraph:

"(K) The Federal Savings and Loan Insurance Corporation.".

(19) Paragraph (3) of section 9101 of title 31, United States Code, is amended by striking out subparagraph (E).

(20) Section 714 of title 31, United States Code, is amended—

(A) by striking out "insured bank" each place such term appears and inserting in lieu thereof "insured depository institution";

(B) by striking out "bank holding company" each place such term appears and inserting in lieu thereof "depository institution holding company"; and

(C) by adding at the end thereof the following new subsection:

"(e) DEFINITIONS.—For purposes of this section—

"(1) INSURED DEPOSITORY INSTITUTION.—The term 'insured depository institution' means—

"(A) any insured bank (within the meaning given to such term by section 3(h) of the Federal Deposit Insurance Act),

"(B) any insured institution (within the meaning given to such term by section 401(a) of the National Housing Act), and

"(C) any insured credit union (within the meaning given to such term by section 101(7) of the Federal Credit Union Act).

"(2) DEPOSITORY INSTITUTION HOLDING COMPANY.—The term 'depository institution holding company' means—

"(A) any bank holding company (within the meaning given to such term by section 2(a)(1) of the Bank Holding Company Act of 1956); and

"(B) any savings and loan holding company (within the meaning given to such term by section 408(1)(D) of the National Housing Act).".

(21) Section 5240 of the Revised Statutes (12 U.S.C. 481 et seq.) (relating to bank examinations) is amended—

(A) in the the 2nd sentence of the 2nd paragraph (12 U.S.C. 481), by inserting "without review or the approval of the Secretary of the Treasury" after "Comptroller of the Currency";

(B) in the 2nd sentence of the 3rd paragraph (12 U.S.C. 482), by inserting "without review or the approval of the Secretary of the Treasury" after "Comptroller of the Currency"; and

(C) by inserting after the 3rd paragraph (12 U.S.C. 482) the following new paragraph:

"No authority of the Comptroller of the Currency to spend or otherwise obligate any amount received pursuant to any assessment under this section or any other income of the Comptroller may be treated as budget authority, spending authority, credit authority, or as authority to obligate funds of the United States or be subject to any sequestration order or other reduction under the Balanced Budget and Emergency Deficit Control Act of 1985 or any other Act which was enacted before the date of the enactment of the Depository Institution Examination Improvement Act of 1986.".

(22) Section 328 of the Revised Statutes (12 U.S.C. 8) is amended by striking out ", to be appointed and classified by the Secretary of the Treasury,".

SEC. 4. CONSOLIDATION OF FEDERAL EXAMINER TRAINING.

(a) CONGRESSIONAL POLICY.—It is hereby declared to be the policy of the Congress to consolidate all programs for training Federal examiners (and examiners of such States as may participate in such programs) which may otherwise be conducted by the Federal depository institutions regulatory agencies in one school established and conducted by the Council under section 1006(d) of the Federal Depository Institutions Examination Council Act of 1978 (as redesignated by the amendment made by section 7(b)(1)) to the extent such consolidation is feasible and practicable and in a manner which would—

(1) provide a uniform, high quality education for the Federal examiners employed by each Federal depository institutions regulatory agency; and

(2) make money available for employing additional examiners by eliminating the current duplication of training programs conducted by the Federal depository institutions regulatory agencies in an efficient and cost-effective manner.

(b) PROPOSAL FOR IMPLEMENTING CONSOLIDATED TRAINING PROGRAM.—The Council shall develop a proposal for implementing the policy of the Congress with respect to the consolidation of examiner training in one school to the extent such consolidation is feasible and practicable. In developing the proposal, the Council shall consider—

(1) whether a standard curriculum would be sufficient for training all Federal examiners or whether particular training needs exist with respect to each Federal depository institutions regulatory agency which would require additional courses for examiners employed by each such agency;

(2) whether the faculty should consist primarily of professional educators or professional examiners and the extent to which both educators and examiners should be appointed to the faculty;

(3) the manner in which the school would be administered as a consolidated training institution; and

(4) the manner in which the cost of operating the school would be distributed among the Federal depository institutions regulatory agencies.

(c) REPORT TO CONGRESS.—

(1) REPORT REQUIRED.—Before the end of the 6-month period beginning on the date of the enactment of this Act, the Council shall submit a report of the Council's proposal under subsection (b) to the Committee on Banking, Finance and Urban Affairs and the Committee on Post Office and Civil Service of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs and the Committee on Governmental Affairs of the Senate.

(2) CONTENTS OF REPORT.—The report shall contain—

(A) a detailed statement of the findings and conclusions of the Council with respect to the implementation of congressional policy on the consolidation of examiner training in one school;

(B) the Council's recommendations for such legislation as it considers necessary or appropriate in order to consolidate such training in the manner proposed by the Council; and

(C) the amount of money which the Council estimates each Federal depository institutions regulatory agency would save as a result of consolidating the training of Federal examiners in one school.

SEC. 5. GRADUATE DEGREE PROGRAM IN FINANCIAL MANAGEMENT ANALYSIS.

(a) IN GENERAL.—The Council shall study the feasibility of establishing a graduate degree program in financial management analysis for officers and employees of Federal depository institutions regulatory agencies and State depository institutions supervisory agencies. In studying the feasibility of establishing such program, the Council shall—

(1) estimate the cost of establishing and operating such a program;

(2) consider whether—

(A) such program should be conducted directly by the Council or by a Federal depository institutions regulatory agency;

(B) such program should be conducted in conjunction with the training school referred to in section 4(a); or

(C) the Council should enter into an agreement with a private or State institution of higher education to conduct the program and issue any degree established under such program either in conjunction with a similar degree program already conducted by such institution or as a separate program; and

(3) consider what minimum requirements should be established for the admission of any individual into the program, including prerequisites relating to the undergraduate or other education of such individual, the experience such individual has had in the field of depository institution examination at the time of such admission, and the length of service with the Federal depository institutions regulatory agency or State depository institutions supervisory agency by which such individual is employed at the time of such admission.

(b) REPORT TO CONGRESS.—

(1) REPORT REQUIRED.—Before the end of the 1-year period beginning on the date of the enactment of this Act, the Council shall submit a report of the Council's study of the feasibility of establishing a graduate degree program in financial management analysis to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate.

(2) CONTENTS OF REPORT.—The report required under subsection (a) shall contain—

(A) a detailed statement of the findings and conclusions of the Council with respect to such study;

(B) the Council's recommendations for such legislation as it considers necessary or appropriate in order to establish such program in the manner proposed by the Council; and

(C) the estimated cost of establishing and conducting the program in the manner proposed by the Council.

(3) AGENCY APPROVAL.—In addition to the information described in paragraph (2), the report required under paragraph (1) shall indicate whether or not each Federal depository institutions regulatory agency has approved the proposal of the Council contained in such report and, if any such agency has not, the reasons given by such agency for any failure to approve (to the extent the Council has such information).

SEC. 6. MINIMUM REQUIREMENTS FOR STATE EXAMINATIONS OF FEDERALLY REGULATED OR INSURED INSTITUTIONS.

(a) CONGRESSIONAL PURPOSE.—It is the purpose of this section—

(1) to establish a uniform procedure for reviewing, with the consent of the States, the adequacy of State examinations of depository institutions which are also subject to examinations by Federal depository institutions regulatory agencies;

(2) to prohibit Federal depository institutions regulatory agencies from relying on any such State examinations in lieu of conducting their own examinations of such depository institutions if the State examinations are deemed inadequate pursuant to such review or if the State refuses to allow such review to be made; and

(3) to require Federal depository institutions regulatory agencies to accept State examinations of financially sound depository institutions if such State examinations are determined to be adequate pursuant to such review.

(b) ESTABLISHMENT OF MINIMUM REQUIREMENTS.—

(1) IN GENERAL.—In consultation with the liaison committee established by the Council pursuant to section 1007 of the Federal Depository Institutions Examination Council Act of 1978 (as redesignated by the amendment made by section 7(b)(1)), the Council shall establish minimum requirements for examinations of depository institutions by State depository institution supervisory agen-

cies in order for any such examination of any depository institution to be deemed adequate for purposes of Federal law.

(2) CRITERIA FOR REVIEW.—In establishing the minimum requirements described in paragraph (1) for any State depository institution supervisory agency, the Council shall establish standards relating to—

(A) the frequency of examinations of depository institutions;

(B) the quality and thoroughness of such examinations;

(C) the standards and procedures for classifying loans and supervising lending practices;

(D) the ratio between the number of examiners employed by any State depository institution supervisory agency and the number of depository institutions examined by such examiners (taking into account the type of depository institution examined by such examiners);

(E) the education, training, and experience of examiners, supervisors, and other individuals employed by such agency who are involved in conducting or supervising such examinations; and

(F) such other conditions and procedures as the Council may determine to be appropriate.

(3) LIMITATION.—The requirements established under paragraph (1) for any State depository institution supervisory agency, as in effect at any time, may not exceed the minimum standards in effect for Federal examiners at such time.

(c) REQUEST FOR PERMISSION TO REVIEW.—At least once during each calendar year, the Council shall request each State depository institution supervisory agency which conducts examinations of depository institutions within such State which are also subject to examinations by a Federal depository institutions regulatory agency to allow the Council to conduct a review, in accordance with subsection (d), of the administration of such examinations by such State agency.

(d) REVIEW.—

(1) IN GENERAL.—If, pursuant to a request under subsection (c), the Council receives permission to review the administration of examinations by a State depository institution supervisory agency, the Council shall determine whether such agency meets the minimum requirements established under subsection (b) in administering such examinations.

(2) PROCEDURES.—The Council shall prescribe by regulations the procedures for conducting any review under paragraph (1).

(e) NOTIFICATION OF FAILURE TO MEET MINIMUM REQUIREMENT.—

(1) IN GENERAL.—If, at any time, the Council determines a State depository institution supervisory agency does not meet the minimum requirements established under subsection (b), the Council shall notify the head of such agency of such determination. Such determination and notice shall not be made public by the Council.

(2) DETAILED EXPLANATION.—Any notice under this subsection shall be accompanied by a report containing a detailed explanation of the circumstances by reason of which the agency was found not to be in compliance with the requirements established under subsection (b).

(3) PERIOD FOR REMEDYING THE DEFICIENCY.—Upon making a determination described in paragraph (1), the Council shall prescribe, on the basis of all the circumstances of the case, the period of time it will provide to the agency to cure the deficiency giving rise to such determination before taking any action under subsection (f). The period so prescribed may be extended by the Council in its discretion, except that the period so prescribed in any case, including any such extensions, shall not exceed 3 years.

(f) NOTICE TO FEDERAL DEPOSITORY INSTITUTIONS REGULATORY AGENCIES.—If any State depository institution supervisory agency—

(1) refuses any request by the Council under subsection (c) for permission to review the administration of examinations by such agency, or

(2) fails to remedy any deficiency giving rise to a determination under subsection (e)(1) within the period of time allowed by the Council under subsection (e)(3),

the Council shall notify each Federal depository institutions regulatory agency of such refusal or failure to comply. If examinations of depository institutions which are subject to examination by such agency are actually conducted by regional banks, branches, or other offices of such agency, the agency shall notify each such bank, branch, or other office of any notice received by such agency under the preceding sentence.

(g) SOLE RELIANCE ON STATE EXAMINATIONS PROHIBITED WHILE NOTICE IS IN EFFECT.—While any notice under subsection (f) with respect to any State depository institution supervisory agency is in effect, no Federal depository institutions regulatory agency and no regional bank, branch, or other office of any such agency may rely on any report of examination by such State agency in lieu of conducting examinations otherwise required under any Federal law or any regulation prescribed by such Federal agency.

(h) SPECIAL RULES.—

(1) SEPARATE REVIEW AND NOTICE.—If a State depository institution supervisory agency has separate branches or departments each of which have authority to conduct examinations, the Council may—

(A) review each such department or branch separately under subsection (d); and

(B) limit the scope of any notice issued under subsection (f) to the department or branch in which the deficiency has been found which resulted in the notice.

(2) DEFICIENCIES RELATING TO EXAMINATIONS OF PARTICULAR TYPES OF INSTITUTIONS.—If a State depository institution supervisory agency has authority to examine more than 1 type of depository institution and the Council's determination of a deficiency which results in a notice under subsection (f) relates to the State agency's capacity to conduct examinations of a particular type of depository institution, the Council may limit the scope of the notice to examinations of that type of depository institution.

(i) ACCEPTANCE OF STATE EXAMINATIONS REQUIRED UNDER CERTAIN CIRCUMSTANCES.—

(1) INSURED BANKS.—Section 7(a)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1817(a)(2)) is amended by adding at the end thereof the following new subparagraph:

"(C) REQUIRED ACCEPTANCE OF STATE EXAMINATIONS.—

"(i) IN GENERAL.—Except as provided in clause (ii), the Corporation shall accept any report of examination made by a commission, board, or authority described in subparagraph (A) in connection with an examination of a financially sound insured bank if, in the most recent review of such commission, board, or authority by the Depository Institutions Examination Council under section 6(d) of the Depository Institution Examination Improvement Act of 1986, the Council determined that such commission, board, or authority met the minimum requirements established under section 6(b) of such Act.

"(ii) NOTICE OF REASON FOR FAILURE TO ACCEPT.—The Corporation may refuse to accept any report of examination described in clause (i) if—

"(I) the Corporation determines that the commission, board, or authority which made the report fails to meet a requirement established under section 6(b) of the Depository Institution Examination Improvement Act of 1986; and

"(II) the Corporation notifies the commission, board, or authority of such refusal and a detailed explanation of the reason for such refusal.

"(iii) FINANCIALLY SOUND INSURED BANK.—For purposes of this subparagraph, the term 'financially sound insured bank' means an insured bank with a CAMEL composite rating of 1 or 2 under the Uniform Financial Institutions Rating System or an equivalent rating under a comparable rating system.".

(2) MEMBERS OF, AND NONMEMBER BORROWERS FROM, HOME LOAN BANKS.—Section 8 of the Federal Home Loan Bank Act (12 U.S.C. 1428) is amended—

(A) by striking out "SEC. 8. The" and inserting in lieu thereof "SEC. 8. (a) IN GENERAL.—The"; and

(B) by adding at the end thereof the following new subsection:

"(b) REQUIRED ACCEPTANCE OF STATE EXAMINATIONS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the Board shall accept any report of examination made by a commission, board, or authority having supervision of State-chartered member or nonmember borrowers under this Act in connection with an examination of a financially sound borrower if, in the most recent review of such commission, board, or authority by the Depository Institutions Examination Council under section 6(d) of the Depository Institution Examination Improvement Act of 1986, the Council determined that such commission, board, or authority met the minimum requirements established under section 6(b) of such Act.

"(2) NOTICE OF REASON FOR FAILURE TO ACCEPT.—The Board may refuse to accept any report of examination described in paragraph (1) if—

"(A) the Board determines that the commission, board, or authority which made the report fails to meet a requirement established under section 6(b) of the Depository Institution Examination Improvement Act of 1986; and

"(B) the Board notifies the commission, board, or authority of such refusal and a detailed explanation of the reason for such refusal.

"(3) FINANCIALLY SOUND BORROWER.—For purposes of this subsection, the term 'financially sound borrower' means a member or nonmember borrower under this Act with a CAMEL composite rating of 1 or 2 under the Uniform Financial Institutions Rating System or an equivalent rating under a comparable rating system.".

(3) INSURED THRIFTS.—Subsection (m) of section 407 of the National Housing Act (12 U.S.C. 1730(m)) is amended by adding at the end thereof the following new paragraph:

"(5) REQUIRED ACCEPTANCE OF STATE EXAMINATIONS.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the Corporation (or the Federal Home Loan Bank Board on behalf of the Corporation) shall accept any report of examination made by a commission, board, or authority having supervision of State-chartered insured institutions in connection with an examination of a financially sound insured institution if, in the most recent review of such commission, board, or authority by the Depository Institutions Examination Council under section 6(d) of the Depository Institution Examination Improvement Act of 1986, the Council determined that such commission, board, or authority met the minimum requirements established under section 6(b) of such Act.

"(B) NOTICE OF REASON FOR FAILURE TO ACCEPT.—The Corporation (or such Bank Board) may refuse to accept any report of examination described in subparagraph (A) if—

"(i) the Corporation (or the Board) determines that the commission, board, or authority which made the report fails to meet a requirement established under section 6(b) of the Depository Institution Examination Improvement Act of 1986; and

"(ii) the Corporation (or the Board) notifies the commission, board, or authority of such refusal and a detailed explanation of the reason for such refusal.

"(C) FINANCIALLY SOUND INSURED INSTITUTION.—For purposes of this paragraph, the term 'financially sound insured institution' means an insured institution with a CAMEL composite rating of 1 or 2 under the Uniform Financial Institutions Rating System or an equivalent rating under a comparable rating system.".

(4) INSURED CREDIT UNIONS.—Section 204 of the Federal Credit Union Act (12 U.S.C. 1784) is amended by adding at the end thereof the following new subsection:

"(e) REQUIRED ACCEPTANCE OF STATE EXAMINATIONS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the Board shall accept any report of examination made by a commission, board, or authority described in subsection (d) in connection with an examination of a financially sound insured credit union if, in the most recent review of such commission, board, or authority by the Depository Institutions Examination Council under section 6(d) of the Depository Institution Examination Improvement Act of 1986, the Council determined that such commission, board, or authority met the minimum requirements established under section 6(b) of such Act.

"(2) NOTICE OF REASON FOR FAILURE TO ACCEPT.—The Board may refuse to accept any report of examination described in paragraph (1) if—

"(A) the Board determines that the commission, board, or authority which made the report fails to meet a requirement established under section 6(b) of the Depository Institution Examination Improvement Act of 1986; and

"(B) the Board notifies the commission, board, or authority of such refusal and a detailed explanation of the reason for such refusal.

"(3) FINANCIALLY SOUND INSURED CREDIT UNION.—For purposes of this subsection, the term 'financially sound insured credit union' means an insured credit union with a CAMEL composite rating of 1 or 2 under the Uniform Financial Institutions Rating System or an equivalent rating under a comparable rating system.".

(j) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) The eighth paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 326) is amended by adding at the end thereof the following new sentence: "The directors shall not approve any examination by any State authority while any notice under section 6(f) of the Depository Institution Examination Improvement Act of 1986 is in effect with respect to such authority.".

(2) The second sentence of section 7(a)(2)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1817(a)(2)(A)) is amended by inserting "(other than any such commission, board, or authority with respect to which a notice under section 6(f) of the Depository Institution Examination Improvement Act of 1986 is in effect)" after "authority" the first place such term appears in such sentence.

(3) The 2d to last sentence of section 8(a) of the Federal Home Loan Bank Act (12 U.S.C. 1428) (as amended by subsection (i)(2)) is amended by inserting "(and any State examination with respect to which a notice under section 6(f) of the Depository Institution Examination Improvement Act of 1986 is in effect shall be deemed inadequate)" after "Home Loan Banks".

(4) Subsection (d) of section 204 of the Federal Credit Union Act (12 U.S.C. 1784(d)) is amended by inserting "(other than any such commission, board, or authority with respect to which a notice under section 6(f) of the Depository Institution Examination Improvement Act of 1986 is in effect)" after "credit union".

(k) DELAYED EFFECTIVE DATE.—Subsection (g) and the amendments made by subsections (i) and (j) shall take effect at the end of the 3-year period beginning on the date of enactment of this Act.

SEC. 7. REDESIGNATION OF EXAMINATION COUNCIL AS DEPOSITORY INSTITUTIONS EXAMINATION COUNCIL.

(a) IN GENERAL.—The Financial Institutions Examination Council established by section 1004 of the Federal Financial Institutions Examination Council Act of 1978 is hereby redesignated as the "Depository Institutions Examination Council". Any reference in any law, regulation, document, record, or other paper of the United States to the Financial Institutions Examination Council shall be deemed to be a reference to the Depository Institutions Examination Council.

(b) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 1001 of Federal Financial Institutions Examination Council Act of 1978 is amended to read as follows:

"SEC. 1001. SHORT TITLE.

"This title may be cited as the 'Federal Depository Institutions Examination Council Act of 1978'.".

(2) The Federal Depository Institutions Examination Council Act of 1978 (12 U.S.C. 3301 et seq.) (as redesignated by paragraph (1)) is amended—

(A) by striking out "Financial Institutions" each place such term appears in such Act and inserting in lieu thereof "Depository Institutions", and

(B) by striking out "financial institutions" each place such term appears in such Act and inserting in lieu thereof "depository institutions".

(3) The heading of title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 is amended by striking out "FINANCIAL" and inserting in lieu thereof "DEPOSITORY".

(4) Paragraph (3) of section 1003 of the Federal Depository Institutions Examination Council Act of 1978 (as redesignated by paragraph (1)) is amended to read as follows:

"(3) the term 'depository institution' has the meaning given to such term by section 19(b)(1)(A) of the Federal Reserve Act.".

(5) Sections 304(f) and 310(a) of the Home Mortgage Disclosure Act of 1975 (12 U.S.C. 2803(f) and 2809) are each amended by striking out "Financial Institutions" and inserting in lieu thereof "Depository Institutions".

(6) Subsection (e) of section 1112 of the Right to Financial Privacy Act of 1978 (12 U.S.C. 3412(e)) is amended by striking out "Financial Institutions" and inserting in lieu thereof "Depository Institutions".

(7) Sections 714(a) and 718(a) of title 31, United States Code, are each amended by striking out "Financial Institutions" and inserting in lieu thereof "Depository Institutions".

SEC. 8. DEMONSTRATION PROJECT RELATING TO PERSONNEL MANAGEMENT.

(a) DEFINITIONS.—For purposes of this section—

(1) AGENCY.—The term "agency" means—

(A) the Office of the Comptroller of the Currency;

(B) the National Credit Union Administration;

(C) the Federal Home Loan Bank Board;
(D) the Federal Savings and Loan Insurance Corporation;
(E) the Board of Governors of the Federal Reserve System, if it provides written notice within 90 days after the date of the enactment of this Act of its intention to participate in the demonstration project under this section; and
(F) the Federal Deposit Insurance Corporation, if it provides written notice within 90 days after the date of the enactment of this Act of its intention to participate in the demonstration project under this section.

(2) COMPENSATION.—The term "compensation" means the total value of the various forms of compensation provided, including—
(A) basic pay;
(B) bonuses;
(C) allowances;
(D) retirement benefits;
(E) health insurance benefits;
(F) life insurance benefits; and
(G) leave benefits.

(b) GENERAL REQUIREMENTS.—
(1) RELATION TO SECTION 4703 OF TITLE 5.—There shall be conducted under this section a demonstration project which—
(A) except as otherwise provided in this section, shall be conducted in accordance with section 4703 of title 5, United States Code; and
(B) shall, for purposes of subsection (d)(2) of such section, be counted as a single project.

(2) PROJECT DESIGN AND IMPLEMENTATION.—The Office of Personnel Management and each agency shall jointly determine the terms and conditions under which such agency will participate in the demonstration project. In carrying out this section, the head of each agency shall be responsible for the conduct of the demonstration project with respect to such agency.

(3) POSITIONS COVERED.—Subject to subsections (f) and (g) of section 4703 of title 5, United States Code, the demonstration project shall cover—
(A) any position within an agency which would otherwise be subject to—
(i) subchapter III of chapter 53 of title 5, United States Code, relating to the General Schedule;
(ii) subchapter VIII of chapter 53 of title 5, United States Code, relating to the Senior Executive Service; or
(iii) chapter 54 of title 5, United States Code, relating to the Performance Management and Recognition System; and
(B) in the case of an agency, or any unit of an agency, not covered by one of the pay systems referred to in subparagraph (A), any position within such agency, or within such unit, which would otherwise be subject to a pay system comparable to one of the pay systems referred to in subparagraph (A), as determined by the head of the agency involved.

Notwithstanding any other provision of this section, the demonstration project shall not cover positions within the Office of the Comptroller of the Currency which are not under the provisions cited in subparagraph (A)(ii) unless such Office provides written notice within 90 days after the date of the enactment of this Act of its intention to include such positions under the demonstration project.

(c) SPECIFIC REQUIREMENTS.—Under the demonstration project, the head of each agency shall provide that—
(1) the rate of basic pay for a position may not be less than the minimum rate of basic pay, nor more than the maximum rate of basic pay, payable for the pay band (as referred to in paragraph (3)) within which such position has been placed;
(2) the minimum and maximum rates of basic pay for each pay band shall be adjusted at the times, and by the amounts, provided for under subsection (d);
(3) positions shall be classified under a system using pay bands which shall be established by combining or otherwise modifying the classes, grades, or other units which would otherwise be used in classifying the positions involved;
(4) employees shall be evaluated under a performance appraisal system which—
(A) uses peer comparison and ranking wherever appropriate; and
(B) affords appeal rights comparable to those which would otherwise be available with respect to the position involved;

(5)(A) the rate of basic pay of each participating employee will be reviewed annually, and shall be adjusted on the basis of the appraised performance of the employee; and

(B) subject to subsection (d)(3)(A)(i), the adjustment under subparagraph (A) in any year in the case of any employee whose performance is rated at the fully successful level or higher shall be at least the percentage recommended under subsection (d)(1)(B) for such year;

(6) appropriate supervisory and managerial pay differentials (which shall be considered a part of basic pay) shall be provided;

(7) performance-recognition bonuses, and recruitment and retention allowances, shall be awarded in appropriate circumstances (but shall not be considered a part of basic pay);

(8) there shall be an employee development program which includes provisions under which employees may, in appropriate circumstances, be granted sabbaticals, the terms and conditions of which shall be consistent with those applicable for members of the Senior Executive Service under section 3396(c) of title 5, United States Code (excluding paragraph (2)(B) thereof);

(9) payment of travel expenses shall be provided for personnel to their first post of duty in the same manner as is authorized for members of the Senior Executive Service under section 5723 of title 5, United States Code, at the discretion of the head of the agency involved;

(10) differentials (which shall not be considered a part of basic pay except for purposes of chapters 81 and 87 of title 5, United States Code) shall, at the discretion of the head of the agency involved, be provided to compensate for regional differences in costs of living; and

(11) performance awards under section 5384 of title 5, United States Code, may be paid without regard to the provisions of subsection (b)(3) of such section.

(d) COMPENSATION COMPARABILITY.—

(1) FINDINGS AND RECOMMENDATIONS REQUIRED.—The head of each agency shall, by contract or otherwise, provide for the preparation of reports which, based on appropriate surveys—

(A) shall include findings as to—

(i) the extent to which, as of the commencement of the demonstration project, there exists any deficiency in the overall average level of compensation provided with respect to positions within such agency which are under the demonstration project, as compared to the overall average level of compensation generally provided with respect to positions involving the same types and levels of work in the private sector; and

(ii) with respect to each year thereafter, any net increase occurring during such year in the extent of the deficiency in the overall average level of compensation provided with respect to positions within such agency which are under the demonstration project, as compared to the overall average level of compensation generally provided with respect to positions involving the same types and levels of work in the private sector; and

(B) shall recommend a single percentage by which basic pay for all positions within such agency which are under the demonstration project must be increased so that, when considered in conjunction with the other forms of compensation generally provided, any net increase determined under subparagraph (A)(ii) will be eliminated.

(2) ADJUSTMENT OF RATES.—Whenever an agency head receives a recommendation under paragraph (1)(B), that agency head—

(A) shall increase the minimum and maximum rates of basic pay for each pay band by the percentage recommended; and

(B) if and to the extent that funds are available for that purpose, may further increase those minimum and maximum rates to eliminate any part of any remaining deficiency, as originally determined under paragraph (1)(A)(i).

(3) LIMITATIONS ON AMOUNTS PAYABLE.—

(A) IN GENERAL.—Notwithstanding any other provision of this section—

(i) the maximum rate of basic pay payable under any pay band may not exceed the rate of basic pay payable for level IV of the Executive Schedule; and

(ii) the amount of basic pay, bonuses, and allowances paid during any fiscal year to any employee participating in the demonstration project may not, in the aggregate, exceed the annual rate of basic pay payable for level I of the Executive Schedule.

(B) RULES FOR APPLYING LIMITATION.—

(i) PAYMENT OF AMOUNTS PREVIOUSLY WITHHELD.—Any amount which is not paid to an employee during a fiscal year because of the limitation under subparagraph (A)(ii) shall be paid in a lump sum at the beginning of the following fiscal year.

(ii) AMOUNTS TO BE TAKEN INTO ACCOUNT.—Any amount paid under this subparagraph during a fiscal year shall be taken into account for purposes of applying the limitation under subparagraph (A)(ii) with respect to such fiscal year.

(4) TOTAL COST.—Notwithstanding any other provision of this section, the demonstration project shall be conducted in such a way so that, with respect to the 12-month period beginning on October 1, 1986, the total cost to the Government relating to providing compensation to participating employees shall not exceed the total cost which would have resulted if this section had not been enacted.

(5) PLACEMENT IN A LOWER BAND.—

(A) IN GENERAL.—If the minimum rate of basic pay for a pay band, after an increase under paragraph (2)(A), exceeds the rate of basic pay payable to an employee whose position would otherwise be within such pay band, the employee's position may, notwithstanding subsection (c)(1), be placed in the next lower pay band.

(B) APPEALABILITY.—Placement of a position in a lower pay band under subparagraph (A) shall not be considered a reduction in grade or pay for purposes of subchapter II of chapter 75 of title 5, United States Code, or any comparable provision of law.

(e) CONVERSION RULES.—

(1) REDUCTIONS PROHIBITED.—The rate of basic pay for an employee serving in a position at the time it is converted to a position covered by the demonstration project may not be reduced by reason of the establishment of such project.

(2) PRO RATA INCREASES.—

(A) IN GENERAL.—Each employee referred to in paragraph (1) shall be paid—

(i) in the case of an employee serving in a position under the General Schedule on the date the position becomes covered by the demonstration project, a lump-sum, pro rata share of the equivalent of any within-grade increase which would have been due the employee under section 5335 of title 5, United States Code, computed as provided in subparagraph (B),

(ii) in the case of an employee serving in a position subject to chapter 54 of title 5, United States Code, on such date, a lump-sum, pro rata share of the equivalent of the employee's merit increase which would have been due under such chapter, computed as provided in subparagraph (B), and

(iii) in the case of an employee serving in a position referred to in subsection (b)(3)(B), on such date, a lump-sum, pro rata share of any increase comparable to one described in clause (i) or (ii), computed as provided in subparagraph (B),

taking into account the performance requirements applicable to such increase.

(B) ADMINISTRATIVE RULE.—For purposes of subparagraph (A), the pro rata share of an equivalent increase referred to in such subparagraph shall be computed through the day before the date referred to in such subparagraph.

(f) REPORTS AND EVALUATIONS.—

(1) RESPONSIBILITIES OF CONTRACTOR.—

(A) EVALUATIONS.—In carrying out section 4703(h) of title 5, United States Code, with respect to the demonstration project, the Office of Personnel Management shall provide that such project will be evaluated on an annual basis by a contractor. Such contractor shall be especially qualified to perform the evaluation based on its expertise in matters relating to personnel management and compensation.

(B) REPORTS.—The contractor shall report its findings to the Office in writing. After considering the report, the Office shall transmit a copy of the report, together with any comments of the Office and any comments submitted by any agency, to—

(i) the Committee on Banking, Finance and Urban Affairs, and the Committee on Post Office and Civil Service, of the House of Representatives; and

(ii) the Committee on Banking, Housing, and Urban Affairs, and the Committee on Governmental Affairs, of the Senate.

(2) FINAL REPORT.—The Comptroller General shall, not later than 4 years after the date on which the demonstration project commences, submit to each of the committees referred to in paragraph (1)(B) a final report concerning such project. Such report shall include any recommendations for legislation or other action which the Comptroller General considers appropriate.

(g) CONTRACTS.—The authority to enter into any contract under this section may be exercised only to such extent or in such amounts as are provided in advance in appropriation Acts.

(h) COMMENCEMENT DATE.—The demonstration project shall commence not later than January 1, 1988.

SEC. 9. DEFINITIONS.

For purposes of this Act—

(1) COUNCIL.—The term "Council" means the Depository Institutions Examination Council (as redesignated by section 7(a)).

(2) FEDERAL DEPOSITORY INSTITUTIONS REGULATORY AGENCIES.—The term "Federal depository institutions regulatory agencies" has the meaning given to such term by section 1003(1) of the Federal Depository Institutions Examination Council Act of 1978 (as redesignated by the amendment made by section 7(b)(1)), except that for purposes of sections 2, 3, and 5 such term also includes the Federal Savings and Loan Insurance Corporation.

(3) DEPOSITORY INSTITUTION.—The term "depository institution" has the meaning given to such term by section 19(b)(1)(A) of the Federal Reserve Act.

(4) INSTITUTION OF HIGHER EDUCATION.—The term "institution of higher education" has the meaning given to such term by section 1201(a) of the Higher Education Act of 1965.

(5) FEDERAL EXAMINER.—The term "Federal examiner" means any individual employed by a Federal depository institutions regulatory agency or a regional bank, branch, or other office of such agency whose duties involve the examination of depository institutions.

HISTORY OF AND NEED FOR THE LEGISLATION

H.R. 4917, the Depository Institution Examination Improvement Act, was ordered reported with an amendment in the nature of a substitute by the Banking Committee by voice vote on August 13, 1986. Prior to the Committee's action, the Subcommittee on Financial Institutions Supervision, Regulation and Insurance considered H.R. 4917 and ordered the bill reported to the full Committee by a voice vote on June 26, 1986.

Prior to the Subcommittee and Committee markups, two days of legislative hearings were held on H.R. 4917. On June 4, 1986, the Subcommittee on Financial Institutions Supervision, Regulation and Insurance heard from Federal Reserve Governor Manuel H. Johnson, FDIC Chairman L. William Seidman, Comptroller of the Currency Robert L. Clarke, NCUA Chairman Roger Jepsen, and the Federal Financial Institutions Examination Council Executive Secretary Robert J. Lawrence. The following day, the Subcommittee heard from Randall Killebrew of the American Bankers Association, Alan Fox of the Consumer Federation of America, and Cathy Overly of the National Treasury Employees Union.

General support within the Banking Committee for legislation to improve federal bank examiner training and compensation is reflected in the fact that an earlier version of H.R. 4917 was introduced on October 16, 1985 with thirty-three Banking Committee Member cosponsors and H.R. 4917 itself was introduced on June 3, 1986, with thirty-nine Banking Committee cosponsors.

Through all the Committee's hearings into the financial condition of federally insured depository institutions, the critical impor-

tance of an effective cadre of federal bank examiners was evident. Indeed, a strong federal bank examination system is clearly essential to the safety and soundness of our nation's financial system. Equally clear is the fact that if the federal institution supervisory agencies are unable to retain highly trained and experienced examination professionals, our examination program will be unable to provide the safety and soundness discipline needed to assure a sound national financial system.

To address the emerging compensation and training problems that are keeping the federal examination program from meeting its responsibilities, H.R. 4917 provides for statutory changes in three critical areas:

(1) A personnel management demonstration project is established to give the federal depository regulatory agencies the flexibility to compensate examiners and other employees at levels closer to parity with the private sector. Because current federal examiner compensation packages are so low relative to those for similar occupations in the private sector, the turnover rate among examiners is unacceptably high, leaving the agencies with only newer, less-trained, and less-experienced personnel. Implementation of this project will enable the agencies to attract and retain the highly qualified work force needed to examine and supervise depository institutions with growing loan quality problems and increasingly complex operations.

(2) Authority is provided to study the feasibility of further consolidating federal examiner training and establishing a graduate degree program in financial institution examination, and to further coordinate and align federal and state depository institution examination standards and procedures. Use of this authority will result in better examiner training, reduced training expenses, and more efficient use of state and federal examiner resources.

(3) Unnecessary budgetary and personnel constraints arising from certain fiscal, budgetary and appropriation requirements are eliminated for the federal depository institution regulatory agencies. These agencies are specifically exempted from the sequestration requirements of the Balanced Budget and Emergency Deficit Control Act (the "Gramm-Rudman-Hollings Act"), the apportionment requirements of the Anti-deficiency Act, and personnel hiring limitations imposed by the Office of Management and Budget or the Office of Personnel Management.

Exemption of the federal bank and thrift regulatory agencies from the requirements of the Balanced Budget and Emergency Deficit Control Act was extensively debated in the Committee markup. Because savings resulting from the sequestration process would be returned to the depository institutions examined and supervised by the agencies rather than passed on to the federal government, it was argued that inclusion of the agencies under the Deficit Control Act did not result in actual savings to the government and therefore inclusion was improper. Weighing against this view was the argument that taking the agencies out of the Deficit Control Act increased the sequestration burden on the other agencies under the

Committee's jurisdiction unacceptably and therefore the bank and thrift regulatory agencies should not be exempted. Other arguments both for and against inclusion were offered also.

The ultimate inclusion of the exemption in H.R. 4917, however, should not be interpreted as indicating Committee support for one or more of the arguments for agency exemption. The Committee's action should be interpreted simply as reflecting the Committee's general view that taking the federal bank and thrift regulatory agencies out from under the Deficit Control Act will enable them to more effectively deal with the rising number of problem institutions and that this will yield long term cost economies in the form of greater national financial stability and reduced deposit insurance payouts that exceed the short term cost reductions resulting from the Deficit Control Act.

SECTION-BY-SECTION SUMMARY AND DESCRIPTION OF THE LEGISLATION AS REPORTED

SECTION 1—SHORT TITLE

The short title of this Act is the Depository Institutions Examination Improvement Act of 1986.

SECTION 2—TEMPORARY ASSIGNMENTS AND TRAVEL ALLOWANCES OF FEDERAL EXAMINERS

This section directs the Depository Institutions Examination Council, as redesignated in section 7(a), to develop guidelines for the federal depository institutions regulatory agencies which would ensure that federal examiners would receive adequate compensation for living and travel expenses incurred in connection with temporary assignments. The guidelines should take into account any increased cost-of-living in the locale of a temporary assignment.

The Committee was concerned about complaints regarding the financial hardship examiners incur when temporarily assigned to locations with high costs of living. Temporary assignment for examiners can be of a duration of a year.

The Committee received testimony that inadequate allowances for travel and living expenses have contributed to a high turnover rate among federal examiners.

SECTION 3—INDEPENDENT AGENCY STATUS OF FEDERAL DEPOSITORY INSTITUTIONS REGULATORY AGENCIES

This section specifies that the depository institutions regulatory agencies covered in this Act, FDIC, OCC, FHLBB and NCUA, are not subject to fiscal, budget and appropriation requirements.

These agencies will continue to submit estimates of receipts and expenditures for inclusion in the budget under paragraphs (5) and (6) of subsection (a) before October 16 of each year, and they will be included in the budget by the President without change. No income received by these agencies may be construed to be Government funds or appropriated money. The provisions of the Balanced Budget and Emergency Deficit Control Act do not apply to any funds of these depository institutions regulatory agencies.

This section also clarifies that these agencies are not subject to apportionment of funds under subsection (b) of section 1511 of title 31, United States Code. The Committee determined that it is inappropriate to apply apportionment of funds requirements to agencies which supervise financial institutions and insure depositors' accounts. Responses to financial crises and institutional failures cannot be planned and apportioned on a fixed schedule. The Committee intends that these agencies be able to examine, supervise and liquidate as necessary.

This section also provides that the number of employees hired by any federal depository institutions regulatory agency shall not be subject to any limitation imposed by the executive branch. It is the view of the Committee that these agencies should determine their own staffing needs and budget accordingly, as they can increase their revenues to pay for any increased expense which they incur.

SECTION 4—CONSOLIDATION OF FEDERAL EXAMINER TRAINING

This section clarifies that it is the intent of the Committee that the programs for training Federal examiners and participating State examiners be consolidated to the extent feasible and practicable if it will improve the quality of training. To this end, this section directs the Federal Depository Institutions Examination Council to develop a proposal to implement consolidation of training for examiners and submit a report to the Committee by the end of the 6-month period following enactment that objectively evaluates the feasibility of implementing congressional policy. The Council should employ the resources of its member agencies to conduct the study.

The Committee is concerned that, in the years following the inception of the Federal Financial Institutions Examination Council, consolidation of examiner training has not progressed to the extent that the Committee had intended. The Committee views consolidation of training as a potential vehicle to provide the same high quality education to the examiners of all agencies, while perhaps reducing overall training costs. With the blurring of the distinctions among the activities of depository institutions in the last decade, the basic expertise needed by examiners of all the agencies has been expanding. Consolidation of training should not prevent the training institution from providing the specialized courses needed by examiners of the five agencies.

SECTION 5—GRADUATE DEGREE PROGRAM IN FINANCIAL MANAGEMENT ANALYSIS

The Council is directed to study the feasibility of establishing a graduate degree program in financial management analysis for experienced examiners and supervisors. The Committee hoped, in authorizing this study, that the establishment of a graduate program would have two desirable effects: providing an additional incentive for experienced examiners to remain with the federal agencies and additional expertise to senior staff as they supervise more complicated institutions.

SECTION 6—MINIMUM REQUIREMENTS FOR STATE EXAMINATIONS OF FEDERALLY REGULATED OR INSURED INSTITUTIONS

This section directs the Council to establish minimum requirements for examinations of depository institutions by state depository institution supervisory agencies and a uniform procedure for reviewing, with the consent of the states, the adequacy of state examinations of depository institutions which are also insured and examined by federal depository institutions regulatory agencies. The section also prohibits the federal agencies from solely relying on the results of state examinations if they are deemed to be inadequate. The section directs federal regulators to accept state exams for institutions with the equivalent of CAMEL 1 and 2 ratings, if the state examinations have been certified as adequate. If this program is successful, it may be appropriate to include institutions with the equivalent of a 3 rating under certain circumstances at a later time. The federal regulators have the option of examining institutions with ratings of 3, 4, and 5. The Committee hopes, however, that the federal examiners are at least participating in examinations of institutions with ratings of 4 and 5.

With the increasing reliance of federal agencies on state examinations as a result of record numbers of troubled institutions, the Committee was concerned that the federal agencies have an objective basis of evaluating the adequacy of state examinations. Unfortunately, some states, while expanding the activities of their state-chartered institutions, have not adequately expanded their supervisory agencies, placing additional burdens on federal regulators.

SECTION 7—REDESIGNATION OF EXAMINATION COUNCIL AS DEPOSITORY INSTITUTIONS EXAMINATION COUNCIL

This section renames the Financial Institutions Examination Council as the Depository Institutions Examination Council.

SECTION 8—DEMONSTRATION PROJECT RELATING TO PERSONNEL MANAGEMENT

This section establishes a demonstration project in accordance with section 4703 of title 5, United States Code. The terms and conditions of each project will be determined jointly by each agency and the Office of Personnel Management (OPM), and responsibility for implementation will rest with each participating agency. The demonstration project will give participating agencies the flexibility to compensate examiners and other employees at a level closer to parity with the private sector.

The primary purpose of this section is to give the agencies the flexibility to establish a compensation program and performance appraisal system which enables the agencies to attract and retain a highly qualified work force, in order to improve the quality of examinations of depository institutions. In order to accomplish this purpose, pay systems should be structured to minimize any existing disparity between the public an private sectors. In figuring total compensation, agencies should take into account any benefits provided in the private sector that they deem to be appropriate. Moreover, the agencies should develop and maintain an adequate pool of

experienced examiners to meet the needs of all the depository institutions regulatory agencies, and eliminating disparities among agency compensation systems would help achieve this goal. The term allowance is meant to cover retention and recruitment allowances, but not reimbursement allowances.

Participation in this project does not affect any Title 5 exclusions applicable to the participating agency or its employees, and it also does not affect the authority of the Comptroller of the Currency under 12 U.S.C. section 481.

Statement Made in Accordance With House Rules

In accordance with clauses 2(l) (2)(B), 2(l)(3), and 2(l)(4) of rule XI of the Rules of the House of Representatives, the following statements are made.

Committee Vote

(Rule XI, Clause 2(l)(2)(B)

The Full Banking Committee, with a quorum present, ordered H.R. 4917, as amended, favorably reported by voice vote at its markup on August 13, 1986.

Oversight Findings and Recommendations

(Rule XI, Clauses 2(l)(3)(A) and (d), and Rule X, Clauses 2(b) (1) and (2) and 4(c)(2))

The Subcommittee on Financial Institutions Supervision, Regulation and Insurance held hearings on June 4 and June 5, 1986. Eight witnesses appeared before the Subcommittee. Based upon the testimony at the hearings, the Committee finds that there is need for legislation to increase the compensation and improve the training of bank examiners.

Accordingly, the Committee recommends that the House pass H.R. 4917, as amended, the bill that accomplishes the objectives reflected in these findings.

No formal oversight findings or recommendations have been submitted by the Committee on Government Operations.

Inflation Impact Statement

(Rule XI, Clause 2(l)(4))

The Committee estimates that this bill will not have any impact on any inflationary trends in the national economy.

Cost Estimate of the Congressional Budget Office Pursuant to Section 403 of the Congressional Budget Act of 1974

(Rule XI, Clause 2(l)(3)(C))

The Committee has received the following report from the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 9, 1986.

Hon. FERNAND J. ST GERMAIN,
Chairman, Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 4917, the Depository Institution Examination Improvement Act of 1986, as ordered reported by the House Committee on Banking, Housing, and Urban Affairs, August 13, 1986. Based on this review, we expect that the federal government would incur costs of an estimated $200,000 in each of the fiscal years 1988 and 1989, and $400,000 to $500,000 in each of the years 1990 and 1991 as a result of enactment of this legislation.

H.R. 4917 would make a number of changes affecting the budgetary treatment of the financial regulatory and insurance agencies, which include the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the Federal Home Loan Bank Board (FHLBB), the Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration (NCUA). It would exempt these agencies from limitations on spending by appropriation action; from apportionment of funds by the Office of Management and Budget; from budget review by the executive branch; from limitations on employee ceilings; and from sequestration of funds resulting from the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). According to committee staff, although the agencies would no longer be subject to budget review, it is the committee's intent that the agencies' budgets would continue to be reflected in the budget totals used to calculate the deficit.

The exemption of agencies from sequestration would have no net effect on the deficit, because any savings that would be lost from the exempted agencies would be made up by applying a higher sequestration percentage to the rest of the budget. (There could be a budget impact, however, if the exemption were retroactive, since the percentage applied to other accounts would not be changed. Based on information from committee staff, we understand that H.R. 4917 would not apply retroactively.)

H.R. 4917 would make a number of changes to establish uniform examination procedures. It would also establish an employee compensation demonstration project that would allow for certain supervisory and managerial pay differentials, recruitment, retention and performance-based bonuses, employee development programs, plus regional and annual pay adjustments. The demonstration project would be required for the FHLBB, NCUA, and certain employees of the OCC; participation by the FDIC and the Board of Governors of the Federal Reserve System would be voluntary. Each agency would be required to report on the status of project, and the Office of Personnel Management (OPM) would be required to hire a contractor to annually evaluate the demonstration project.

The bill specifies that the total compensation costs to the federal government in 1987 for employees participating in the demonstration project may not exceed the total cost that would have been in-

curred without enactment of this legislation. Based on information from OPM, we expect that the project would likely start at the beginning of fiscal year 1988, and that the cost to evaluate the program would be about $200,000 annually beginning in 1988. In addition, based on information from OPM, we expect that the overall personnel costs to participating agencies would gradually increase beginning in 1988, as the agencies attempt to close an estimated 24 percent salary lag relative to private industry for examiners' compensation. It is not possible to predict with any certainty the extent to which any of these possible changes in compensation will be adopted, or the cost of such changes. However, it is likely that any such costs would be at least partially offset, because the quality of examinations would probably improve as a result of improved training and employee retention, thus reducing insurance costs of the FDIC, NCUA, and FSLIC.

Finally, the General Accounting Office (GAO) would be required to report to the Congress on the demonstration project within four years. Based on information from GAO, we expect that about $500,000 would be spent over the fiscal years 1990 and 1991 for this purpose.

No significant costs would be incurred by state or local governments as a result of enactment of this bill.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

RUDOLPH G. PENNER, *Director.*

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 31, UNITED STATES CODE

* * * * * * *

SUBTITLE I—GENERAL

* * * * * * *

CHAPTER 7—GENERAL ACCOUNTING OFFICE

* * * * * * *

SUBCHAPTER II—GENERAL DUTIES AND POWERS

* * * * * * *

[§ 714. Audit of Financial Institutions Examination Council, Federal Reserve Board, Federal reserve banks, Federal Deposit Insurance Corporation, and Office of Comptroller of the Currency]

§ 714. Audit of Federal Depository Institutions Regulatory Agencies and Depository Institutions Examination Council

(a) In this section, "agency" means the [Financial] *Depository* Institutions Examination Council, the Federal Reserve Board, Federal reserve banks, the Federal Deposit Insurance Corporation, [and] the Office of the Comptroller of the Currency, the Federal Home Loan Bank Board, the Federal Home Loan Banks, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Administration.

(b) Under regulations of the Comptroller General, the Comptroller General shall audit an agency, but may carry out an onsite examination of an open insured [bank] *depository institution* or [bank] *depository institution* holding company only if the appropriate agency has consented in writing. Audits of the Federal Reserve Board and Federal reserve banks may not include—

(1) transactions for or with a foreign central bank, government of a foreign country, or nonprivate international financing organization;

(2) deliberations, decisions, or actions on monetary policy matters, including discount window operations, reserves of member banks, securities credit, interest on deposits, and open market operation;

(3) transactions made under the direction of the Federal Open Market Committee; or

(4) a part of a discussion or communications among or between members of the Board of Governors and officers and employees of the Federal Reserve System related to clauses (1)–(3) of this subsection.

(c)(1) Except as provided in this subsection, an officer or employee of the General Accounting Office may not disclose information identifying an open bank, an open [bank] *depository institution* building company, or a customer of an open or closed bank or [bank] *depository institution* holding company. The Comptroller General may disclose information related to the affairs of a closed bank or closed [bank] *depository institution* holding company identifying a customer of the closed bank or closed [bank] *depository institution* holding company only if the Comptroller General believes the customer had a controlling influence in the management of the closed bank or closed [bank] *depository institution* holding company company or was related to or affiliated with a person or group having a controlling influence.

(2) An officer or employee of the Office may discuss a customer, bank, or [bank] *depository institution* holding company with an official of an agency and may report an apparent criminal violation to an appropriate law enforcement authority of the United States Government or a State.

(3) This subsection does not authorize an officer or employee of an agency to withhold information from a committee of Congress authorized to have the information.

(d)(1) To carry out this section, all records and property of or used by an agency, including samples of reports of examinations of a bank or [bank] *depository institution* holding company the Comptroller General considers statistically meaningful and workpapers and correspondence related to the reports shall be made available to the Comptroller General. The Comptroller General shall give an agency a current list of officers and employees to whom, with proper identification, records and property may be made available, and who may make notes or copies necessary to carry out an audit. An agency shall give the Comptroller General suitable and lockable offices and furniture, telephones, and access to copying facilities.

(2) Except for the temporary removal of workpapers of the Comptroller General that do not identify a customer of an open or closed bank or [bank] *depository institution* holding company, an open bank, or an open [bank] *depository institution* holding company, all workpapers of the Comptroller General and records and property of or used by an agency that the Comptroller General possesses during an audit, shall remain in the agency. The Comptroller General shall prevent unauthorized access to records or property.

(e) DEFINITIONS.—For purposes of this section—

(1) INSURED DEPOSITORY INSTITUTION.—The term "insured depository institution" means—

(A) any insured bank (within the meaning given to such term by section 3(h) of the Federal Deposit Insurance Act),

(B) any insured institution (within the meaning given to such term by section 401(a) of the National Housing Act), and

(C) any insured credit union (within the meaning given to such term by section 101(7) of the Federal Credit Union Act).

(2) DEPOSITORY INSTITUTION HOLDING COMPANY.—The term "depository institution holding company" means—

(A) any bank holding company (within the meaning given to such term by section 2(a)(1) of the Bank Holding Company Act of 1956); and

(B) any savings and loan holding company (within the meaning given to such term by section 408(1)(D) of the National Housing Act).

* * * * * * *

§ 718. Availability of draft reports

(a) A draft report of an audit under section 714 of this title shall be submitted to the [Financial] *Depository* Institutions Examination Council, the Federal Reserve Board, the Federal Deposit Insurance Corporation, or the Office of the Comptroller of the Currency for comment for 30 days.

* * * * * * *

SUBTITLE II—THE BUDGET PROCESS

* * * * * * *

CHAPTER 11—THE BUDGET AND FISCAL, BUDGET, AND PROGRAM INFORMATION

* * * * * * *

§ 1101. Definitions

In this chapter—

(1) "agency" includes the District of Columbia government but does not include the legislative branch [or the Supreme Court] *the Supreme Court, or any agency which is subject to audit by the Comptroller General under section 714.*

(2) "appropriations" means appropriated amounts and includes, in appropriate context—

(A) funds;

(B) authority to make obligations by contract before appropriations; and

(C) other authority making amounts available for obligation or expenditure.

* * * * * * *

§ 1105. Budget contents and submission to Congress

(a) * * *

* * * * * * *

(g) Estimated expenditures and receipts of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Administration to be included in the budget under paragraphs (5) and (6) of subsection (a) shall be submitted to the President before October 16 of each year and included in the budget by the President without change.

* * * * * * *

CHAPTER 15—APPROPRIATION ACCOUNTING

* * * * * * *

SUBCHAPTER II—APPORTIONMENT

§ 1511. Definition and application

(a) * * *

(b) This subchapter does not apply to—

(1) amounts (except amounts for administrative expenses) available—

(A) for price support and surplus removal of agricultural commodities; and

(B) under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c);

(2) a corporation getting amounts to make loans (except paid in capital amounts) without legal liability on the part of the United States Government; [and]

(3) the Senate, the House of Representatives, a committee of Congress, a member, officer, employee, or office of either

House of Congress, or the Office of the Architect of the Capitol or an officer or employee of that Office[.]; *and*

(4) any agency which is subject to audit by the Comptroller General under section 714.

* * * * * * *

SUBTITLE VI—MISCELLANEOUS

* * * * * * *

CHAPTER 91—GOVERNMENT CORPORATIONS

* * * * * * *

§ 9101. Definitions

In this Chapter—

(1) "Government corporation" means a mixed-ownership Government corporation and a wholly owned Government corporation.

(2) "mixed-ownership Government corporation" means—

(A) * * *

* * * * * * *

(K) The Federal Savings and Loan Insurance Corporation.

(3)"wholly owned Government corporation" means—

(A) the Commodity Credit Corporation.

(B) the Export-Import Bank of the United States.

(C) the Federal Crop Insurance Corporation.

(D) Federal Prison Industries, Incorporated.

[(E) the Federal Savings and Loan Insurance Corporation.]

* * * * * * *

BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985

* * * * * * *

PART C—EMERGENCY POWERS TO ELIMINATE DEFICITS IN EXCESS OF MAXIMUM DEFICIT AMOUNT

* * * * * * *

SEC. 255. EXEMPT PROGRAMS AND ACTIVITIES.

(a) * * *

* * * * * * *

(g) OTHER PROGRAMS AND ACTIVITIES.—

(1) The following budget accounts and activities shall be exempt from reduction under any order issued under this part:

Activities resulting from private donations, bequests, or voluntary contributions to the Government;

Alaska Power Administration, Operations and maintenance (89-0304-0-1-271);

Appropriations for the District of Columbia (to the extent they are appropriations of locally raised funds);

Bonneville Power Administration fund and borrowing authority established pursuant to section 13 of Public Law 93-454 (1974), as amended (89-4045-0-3-271);

Bureau of Indian Affairs miscellaneous trust funds, tribal trust funds (14-9973-0-7-999);

Claims, defense (97-0102-0-1-051);

Claims, judgments, and relief acts (20-1895-0-1-806);

Coinage profit fund (20-5811-0-2-803);

Compensation of the President (11-0001-0-1-802);

Comptroller of the Currency;

* * * * * * *

Exchange stabilization fund (20-4444-0-3-155);

Federal Deposit Insurance Corporation;

Federal Home Loan Bank Board;

Federal Home Loan Bank Board, Federal Savings and Loan Insurance Corporation;

* * * * * * *

Intragovernmental funds, including those from which the outlays are derived primarily from resources paid in from other government accounts, except to the extent such funds are augmented by direct appropriations for the fiscal year during which an order is in effect;

National Credit Administration;

National Credit Administration; central liquidity facility;

National Credit Administration; credit union share insurance fund;

* * * * * * *

SEC. 256. EXCEPTIONS, LIMITATIONS, AND SPECIAL RULES.

(a) * * *

(b) TREATMENT OF FEDERAL ADMINISTRATIVE EXPENSES.—

(1) * * *

* * * * * * *

(4) Notwithstanding any other provision of law, this subsection shall not apply with respect to the following:

(A) Comptroller of the Currency.

(B) Federal Deposit Insurance Corporation.

(C) Federal Home Loan Bank Board.

(D) Federal Savings and Loan Insurance Corporation.

(E) National Credit Union Administration.

(F) National Credit Union Administration, central liquidity facility.

* * * * * * *

SECTION 7 OF THE FIRST DEFICIENCY APPROPRIATION ACT, FISCAL YEAR 1936

SEC. 7. (a) Notwithstanding any other provision of law, none of the establishments or agencies named in subsection (b) of this section shall, after June 30, 1937, incur any obligations for administrative expenses, except pursuant to an annual appropriation specifically therefor, nor shall any such establishment or agency continue to function after said date unless eatablished by or pursuant to law: *Provided*, That nothing contained herein shall be construed to extend the period during which any such establishment or agency heretofore has been authorized by law to function.

(b) [1. Federal Home Loan Bank Board;]
[2.] *(1)* Home Owners' Loan Corporation;
[3.] *(2)* Federal Housing Administration;
[4.] *(3)* Federal Surplus Commodities Corporation;
[5.] *(4)* Export-Import Bank of Washington;
[6.] *(5)* Second Export-Import Bank of Washington, District of Columbia;
[7.] *(6)* Reconstruction Finance Corporation;
[8.] *(7)* Electric Home and Farm Authority;
[9.] *(8)* Commodity Credit Corporation;
[10.] *(9)* Federal Emergency Administration of Public Works;
[11. Federal Savings and Loan Insurance Corporation;]
[12.] *(10)* Reconstruction Finance Mortgage Company.

* * * * * * *

INDEPENDENT OFFICES APPROPRIATION ACT, 1944

* * * * * * *

TITLE I

* * * * * * *

NATIONAL HOUSING AGENCY

* * * * * * *

FEDERAL HOME LOAN BANK ADMINISTRATION

Salaries and expenses: Not to exceed a total of $11,642,200, to be derived from the same sources as the funds made available for administrative expenses of the Federal Home Loan Bank Board, Federal Savings and Loan Insurance Corporation, and Home Owners' Loan Corporation by the Independent Offices Appropriation Act, 1943, and from the special deposit account hereinafter mentioned, shall be available during the fiscal year 1944 for administrative expenses of the Federal Home Loan Bank Administration (Executive Order Numbered 9070 of February 24, 1942), which term and the term Administration, wherever used herein, shall unless otherwise qualified include and apply to said corporations but shall be exclusive of any corporation organized in pursuance of authority contained in the Act of May 16, 1918 (40 Stat. 550), and any amend-

ments thereof, including personal services in the District of Columbia and elsewhere; travel expenses, in accordance with the Standardized Government Travel Regulations and the Act of June 3, 1926, as amended (5 U.S.C. 821-833); expenses (not to exceed $7,500) of attendance at meetings concerned with the work of said Administration when specifically authorized by the Administration; printing and binding; lawbooks, books of reference, and not to exceed $1,250 for periodicals and newspapers; rent in the District of Columbia; the immediate purchase of one motor-propelled passenger-carrying vehicle; maintenance, repair, and operation of motor-propelled passenger-carrying vehicles; payment, when specifically authorized by the Administration, of actual transportation and other necessary expenses and not to exceed $10 per diem in lieu of subsistence of persons serving, while away from their homes, without other compensation from the United States, in an advisory capacity to the Administration; use of the services and facilities of the Federal home-loan banks, Federal Reserve banks, and agencies of the Government, including the use of services and facilities within the Administration; the amounts so derived to be credited upon the books of the Treasurer of the United States in such account or accounts as the Administration may determine, and the Administration in its discretion may utilize the facilities of the Division of Disbursement of the Treasury Department for the disbursement of funds in or derived from such account or accounts relating to said corporations: *Provided*, That (1) all necessary expenses in connection with the liquidation of insured institutions, (2) all necessary expenses (including services performed on a force account, contract or fee basis, but not including other personal services) in connection with the acquisition, protection, operation, maintenance, improvement, or disposition of real or personal property belonging to the Home Owners' Loan Corporation or in which it has an interest, and (3) all necessary expenses (including services performed on a contract or fee basis, but not including other personal services) in connection with the handling, including the purchase, sale, and exchange, of securities on behalf of Federal home-loan banks, and the sale, issuance, and retirement of, or payment of interest on, debentures or bonds, under the Federal Home Loan Bank Act, as amended, shall be considered as nonadministrative expenses for the purposes hereof: *Provided further*, That except as herein otherwise provided, the administrative expenses and other obligations of the Administration shall be incurred, allowed, and paid in accordance with the provisions of the Federal Home Loan Bank Act of July 22, 1932, as amended (12 U.S.C. 1421-1449), the Home Owner's Loan Act of 1933, as amended (12 U.S.C. 1461-1468), and title IV of the National Housing Act of June 27, 1934, as amended (12 U.S.C. 1725-1732): *Provided further*, That all moneys and funds heretofore deposited in the Treasury of the United States under the last sentence of section 19 of the Federal Home Loan Bank Act, as amended (including unexpended balances of moneys appropriated therefrom for administrative expenses), and hereafter all moneys and funds which would, except for this provision, be so depositable thereunder, shall be deposited with the Treasurer of the United States in a special deposit account and shall be available, retroactively as well as prospectively, for expenditure for all purposes of

the Federal Home Loan Bank Board and the Federal Home Loan Bank Administration [, subject to subsections (a) and (b) of section 7 of the First Deficiency Appropriation Act, 1936]: * * *

* * * * * * *

NATIONAL HOUSING ACT

* * * * * * *

TITLE IV—INSURANCE OF SAVINGS AND LOAN ACCOUNTS

* * * * * * *

CREATION OF FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

SEC. 402. (a) * * *

* * * * * * *

(c) Upon the date of enactment of this Act, the Corporation shall become a body corporate, and shall be an instrumentality of the United States, and as such shall have power—

(1) * * *

* * * * * * *

(5) To appoint and to fix the compensation, by its board of trustees, of such officers, employees, attorneys or agents, as shall be necessary for the performance of its duties under this title, without regard to the provisions of any other laws relating to the employment or compensation of officers or employees of the United States. Nothing in this title or any other provision of law shall be construed to prevent the appointment and compensation as an officer, attorney, or employee of the Corporation, of any officer, attorney, or employee of any board, corporation, commission, establishment, executive department, or instrumentality of the Government. The Corporation, with the consent of any board, corporation, commission, establishment, executive department, or instrumentality of the Government, including any field service thereof, may avail itself of the use of information, services, and facilities thereof in carrying out the provisions of this title. The Corporation shall be entitled to the free use of the United States mails for its official business in the same manner as the executive departments of the Government, and shall determine its necessary expenditures under this Act and the manner in which the same shall be incurred, allowed, and paid, without regard to the provisions of any other law governing the expenditure of public funds. [All necessary expenses in connection with the making of supervisory or other examinations (except examinations of Federal home loan banks), including the provision of services and facilities therefor, shall be considered as nonadministrative expenses.]

* * * * * * *

PREMIUMS ON INSURANCE

SEC. 404. (a) * * *

* * * * * * * *

(j) TREATMENT OF AMOUNTS RECEIVED.—No amount received by the Corporation pursuant to any premium assessed under this section, any deposit required under this section, or any other income of the Corporation may be construed to be Government funds or appropriated money and no authority of the Corporation to spend or otherwise obligate any such amount may be treated as budget authority, spending authority, credit authority, or as authority to obligate funds of the United States or be subject to any sequestration order or other reduction under the Balanced Budget and Emergency Deficit Control Act of 1985 or any other Act which was enacted before the date of the enactment of the Depository Institution Examination Improvement Act of 1986.

* * * * * * * *

SEC. 407. TERMINATION OF INSURANCE AND ENFORCEMENT PROVISIONS.—

(a) * * *

* * * * * * * *

(m) ANCILLARY PROVISIONS.—(1) * * *

* * * * * * * *

(3) In the course of or in connection with any proceeding under this section, the Corporation or its designated representatives, including any person designated to conduct any hearing under this section, shall have power to administer oaths and affirmations, to take or cause to be taken depositions, and to issue, revoke, quash, or modify subpenas and subpenas duces tecum; and the Corporation is empowered to make rules and regulations with respect to any such proceedings. The attendance of witnesses and the production of documents provided for in this subsection may be required from any place in any State or in any territory at any designated place where such proceeding is being conducted. Any party to proceedings under this section may apply to the United States District Court for the District of Columbia, or the United States district court for the judicial district or the United States court in any territory in which such proceeding is being conducted, or where the witness resides or carries on business, for enforcement of any subpena or subpena duces tecum issued pursuant to this subsection, and such courts shall have jurisdiction and power to order and require compliance therewith. Witnesses subpenaed under this section shall be paid the same fees and mileage that are paid witnesses in the district courts of the United States. [All expenses of the Board or of the Federal Savings and Loan Insurance Corporation in connection with this section shall be considered as nonadministrative expenses.] Any court having jurisdiction of any proceeding instituted under this section by an insured institution, or a director or officer thereof, may allow to any such party such reasonable expenses and attorneys' fees as it deems just and proper;

and such expenses and fees shall be paid by the institution or from its assets.

* * * * * * *

(5) REQUIRED ACCEPTANCE OF STATE EXAMINATIONS.—

(A) IN GENERAL.—Except as provided in subparagraph (b), the Corporation (or the Federal Home Loan Bank Board on behalf of the Corporation) shall accept any report of examination made by a commission, board, or authority having supervision of State-chartered insured institutions in connection with an examination of a financially sound insured institution if, in the most recent review of such commission, board, or authority by the Depository Institutions Examination Council under section 6(d) of the Depository Institution Examination Improvement Act of 1986, the Council determined that such commission, board, or authority met the minimum requirements established under section 6(b) of such Act.

(B) NOTICE OF REASON FOR FAILURE TO ACCEPT.—The Corporation (or such Bank Board) may refuse to accept any report of examination described in subparagraph (A) if—

(i) the Corporation (or the Board) determines that the commission, board, or authority which made the report fails to meet a requirement established under section 6(b) of the Depository Institution Examination Improvement Act of 1986; and

(ii) the Corporation (or the Board) notifies the commission, board, or authority of such refusal and a detailed explanation of the reason for such refusal.

(C) FINANCIALLY SOUND INSURED INSTITUTION.—For purposes of this paragraph, the term "financially sound insured institution" means an insured institution with a CAMEL composite rating of 1 or 2 under the Uniform Financial Institutions Rating System or an equivalent rating under a comparable rating system.

* * * * * * *

REGULATION OF HOLDING COMPANIES

SEC. 408. (a) * * *

* * * * * * *

(h) ADMINISTRATION AND ENFORCEMENT.—(1) * * *

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[(6) All expenses of the Federal Home Loan Bank Board or of the Corporation under this section shall be considered as nonadministrative expenses.]

* * * * * * *

FEDERAL HOME LOAN BANK ACT

* * * * * * *

EXAMINATIONS AND STUDIES BY THE BOARD

SEC. 8. *(a) IN GENERAL.*—The board shall cause to be made from time to time examinations of the laws of the various States of the United States and the regulations and procedure thereunder governing conditions under which institutions of the kinds which may become members or nonmember borrowers under this Act are permitted to be formed or to do business, or relating to the conveying or recording of land titles, or to homestead and other rights, or to the enforcement of the rights of holders of mortgages on lands securing loans, or otherwise. If any such examination shall indicate, in the opinion of the board, that under the laws of any such State or the regulations or procedure thereunder there would be inadequate protection to a Federal Home Loan Bank in making or collecting advances under this Act, the Board may withhold or limit the operation of any Federal Home Loan Bank in such State until satisfactory conditions of law, regulation, or procedure shall be established. In any State where State examination of members or nonmember borrowers is deemed inadequate for the purposes of the Federal Home Loan Banks *(and any State examination with respect to which a notice under section 6(f) of the Depository Institution Examination Improvement Act of 1986 is in effect shall be deemed inadequate)*, the board shall establish such examination, all or part of the cost of which may be considered as part of the cost of making advances in such State. The banks and/or the board may make studies of trends of home and other property values, methods of appraisals, and other subjects such as they may deem useful for the general guidance of their policies and operations and those of institutions authorized to secure advances.

(b) REQUIRED ACCEPTANCE OF STATE EXAMINATIONS.—

(1) IN GENERAL.—Except as provided in paragraph (2), the Board shall accept any report of examination made by a commission, board, or authority having supervision of State-chartered member or nonmember borrowers under this Act in connection with an examination of a financially sound borrower if, in the most recent review of such commission, board, or authority by the Depository Institutions Examination Council under section 6(d) of the Depository Institution Examination Improvement Act of 1986, the Council determined that such commission, board, or authority met the minimum requirements established under section 6(b) of such Act.

(2) NOTICE OF REASON FOR FAILURE TO ACCEPT.—The Board may refuse to accept any report of examination described in paragraph (1) if—

(A) the Board determines that the commission, board, or authority which made the report fails to meet a requirement established under section 6(b) of the Depository Institution Examination Improvement Act of 1986; and

(B) the Board notifies the commission, board, or authority of such refusal and a detailed explanation of the reason for such refusal.

(3) FINANCIALLY SOUND BORROWER.—For purposes of this subsection, the term "financially sound borrower" means a member or nonmember borrower under this Act with a CAMEL compos-

ite rating of 1 or 2 under the Uniform Financial Institutions Rating System or an equivalent rating under a comparable rating system.

* * * * * * *

ADMINISTRATIVE EXPENSES

SEC. 18. [(a) There is hereby authorized to be appropriated the sum of not to exceed $300,000 for salaries, travel and subsistence expenses, rents, printing and binding, furniture and equipment, law books, books of reference, periodicals, newspapers, maps, contract stenographic reporting services, telephone and telegraph services, and all other necessary expenses of the board, together with expenses preliminary to the organization and establishment of the banks created hereunder, until the end of the fiscal year 1933.]

(b) The board shall have power to levy semiannually upon the Federal Home Loan Banks, and they shall pay, on such equitable basis as the board shall determine, an assessment sufficient in its judgment to provide for the payment of its estimated expenses for the half year succeeding the levying of each such assessment, beginning with the second half of the calendar year 1933. All expenses of the board incurred in carrying out the provisions of this Act, as determined by it, beginning July 1, 1933, shall be paid from the proceeds of such assessments, and if any deficiency shall occur in such fund at any time between such semiannual assessments the board shall have power to make an immediate assessment against the banks to cover such deficiency on the same basis as the original assessment. If any surplus shall remain from any assessment after the expiration of the semiannual period for which it was levied, such surplus may be deducted from the next following assessment. Such assessments may include such amounts as the board may deem advisable for carrying out the provisions of subsection (c) of this section. *No amount received by the board pursuant to any assessment under this subsection or any other income of the board may be construed to be Government funds or appropriated money and no authority under this Act to spend or otherwise obligate any such amount may be treated as budget authority, spending authority, credit authority, or as authority to obligate funds of the United States or be subject to any sequestration order or other reduction under the Balanced Budget and Emergency Deficit Control Act of 1985 or any other Act which was enacted before the date of the enactment of the Depository Institution Examination Improvement Act of 1986.*

(c)(1) The board, utilizing the services of the Administrator of General Services (hereinafter referred to as the "Administrator")[, and subject to any limitation hereon which may hereafter be imposed in appropriation Acts,] is hereby authorized—

(A) to acquire, in the name of the United States, real property in the District of Columbia, for the purposes set forth in this subsection;

(B) to construct, develop, furnish, and equip such buildings thereon and such facilities as in its judgment may be appropriate to provide, to such extent as the board may deem advisa-

ble, suitable and adequate quarters and facilities for the board and the agencies under its administration or supervision;

(C) to enlarge, remodel, or reconstruct any of the same; and

(D) to make or enter into contracts for any of the foregoing.

* * * * * * *

(5) Any proceeds (including advances) received by the board in connection with this subsection, and any proceeds from the sale or other disposition of real or other property acquired by the board under this subsection, shall be considered as receipts of the board [, and obligations and expenditures of the board and such agencies in connection with this subsection shall not be considered as administrative expenses]. As used in this subsection, the term "property" shall include interests in property.

(6) With respect to its functions under this subsection the board shall [(A) annually prepare and submit a budget program as provided in title I of the Government Corporation Control Act with regard to wholly owned Government corporations, and for purposes of this sentence, the terms "wholly owned Government corporations" and "Government corporations", wherever used in such title, shall include the board, and (B)] maintain an integral set of accounts which shall be audited annually by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions as provided in such title, and no other audit, settlement, or adjustment shall be required with respect to transactions under this subsection or with respect to claims, demands, or accounts by or against any person arising thereunder. The [first budget program shall be for the first full fiscal year beginning on or after the date of the enactment of this subsection, and the] first audit shall be for the remainder of the fiscal year in which this subsection is enacted. Except as otherwise provided in this subsection or by the board, the provisions of this subsection and the functions thereby or thereunder subsisting shall be applicable and exercisable notwithstanding and without regard to the Act of June 20, 1938 (D.C. Code, secs. 5-413—5-428), except that the proviso of section 16 thereof shall apply to any buidling constructed under this subsection, and section 306 of the Act of July 30, 1947 (61 Stat. 584), or any other provision of law relating to the construction, alteration, repair, or furnishing of public or other buildings or structures or the obtaining of sites therefor, but any person or body in whom any such function is vested may provide for delegation or redelegation of the exercise of such function.

* * * * * * *

SEC. 19. The board shall have power to select, employ, and fix the compensation of such officers, employees, attorneys, and agents as shall be necessary for the performance of its duties under this Act without regard to the provisions of other laws applicable to the employment or compensation of officers, employees, attorneys, and agents of the United States. No such officer, employee, attorney, or agent shall be paid compensation at a rate in excess of the rate provided in the case of members of the board. The board shall be entitled to the free use of the United States mails for its official business in the same manner as the executive departments of the

Government; and shall determine its necessary expenditures under this Act and the manner in which they shall be incurred, allowed, and paid. The receipts of the Board derived from assessments upon the Federal Home Loan Banks and from other sources (except receipts from the sale of consolidated Federal Home Loan Bank bonds and debentures issued under section 11) shall be deposited in the Treasury of the United States, and may be from time to time withdrawn therefrom to defray the expenses of the Board, and the salaries of its members and employees, whose employment, compensation, leave, and expenses shall be governed solely by the provisions of this Act, specific amendments thereof, and rules and regulations of the Board not inconsistent therewith[. All necessary expenses in connection with the making of supervisory or other examinations (except examinations of Federal home loan banks), including the provision of services and facilities therefor, shall be considered as nonadministrative expenses.] *; no amount received pursuant to such assessments or any other income of the Board may be construed to be Government funds or appropriated money and no authority of the Board to spend or otherwise obligate any such amount may be treated as budget authority, spending authority, credit authority, or as authority to obligate funds of the United States or be subject to any sequestration order or other reduction under the Balanced Budget and Emergency Deficit Control Act of 1985 or any other Act which was enacted before the date of the enactment of the Depository Institution Examination Improvement Act of 1986.*

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SECTION 7 OF THE FEDERAL DEPOSIT INSURANCE ACT

SEC. 7. (a)(1) * * *

(2)(A) The Corporation shall have access to reports of examination made by, and reports of condition made to, the Comptroller of the Currency or any Federal Reserve bank and to all revisions of reports of condition made to either of them, and they shall promptly advise the Corporation of any revisions or changes in respect to deposit liabilities made or required to be made in any report of condition. The Corporation may accept any report made by or to any commission, board, or authority *(other than any such commission, board, or authority with respect to which a notice under section 6(f) of the Depository Institution Examination Improvement Act of 1986 is in effect)* having supervision of a State nonmember bank (except a District bank), and may furnish to the Comptroller of the Currency, to any Federal Reserve bank, and to any such commission, board, or authority, reports of examinations made on behalf of, and reports of condition made to, the Corporation.

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(c) REQUIRED ACCEPTANCE OF STATE EXAMINATIONS.—

(i) IN GENERAL.—Except as provided in clause (ii), the Corporation shall accept any report of examination made by a commission, board, or authority described in subparagraph (A) in connection with an examination of a financially sound insured

bank if, in the most recent review of such commission, board, or authority by the Depository Institutions Examination Council under section 6(d) of the Depository Institution Examination Improvement Act of 1986, the Council determined that such commission, board, or authority met the minimum requirements established under section 6(b) of such Act.

(ii) NOTICE OF REASON FOR FAILURE TO ACCEPT.—The Corporation may refuse to accept any report of examination described in clause (i) if—

(I) the Corporation determines that the commission, board, or authority which made the report fails to meet a requirement established under section 6(b) of the Depository Institution Examination Improvement Act of 1986; and

(II) the Corporation notifies the commission, board, or authority of such refusal and a detailed explanation of the reason for such refusal.

(iii) FINANCIALLY SOUND INSURED BANK.—For purposes of this subparagraph, the term "financially sound insured bank" means an insured bank with a CAMEL composite rating of 1 or 2 under the Uniform Financial Institutions Rating System or an equivalent rating under a comparable rating system.

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(b)(1) * * *

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(9) TREATMENT OF AMOUNTS RECEIVED.—Notwithstanding any other provision of law, no amount received by the Corporation pursuant to any assessment under this section or any other income of the Corporation may be construed to be Government funds or appropriated money and no authority of the Corporation to spend or otherwise obligate any such amount may be treated as budget authority, spending authority, credit authority, or as authority to obligate funds of the United States or be subject to any sequestration order or other reduction under the Balanced Budget and Emergency Deficit Control Act of 1985 or any other Act which was enacted before the date of the enactment of the Depository Institution Examination Improvement Act of 1986.

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FEDERAL CREDIT UNION ACT

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TITLE I—FEDERAL CREDIT UNIONS

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FEES

SEC. 105. (a) * * *

(f) TREATMENT OF AMOUNTS RECEIVED.—No amount received by the Board pursuant to any fee assessed under this section and no amount referred to in subsection (e)(3) shall be construed to be Government funds or appropriated money and no authority under this

Act to spend or otherwise obligate any such amount may be treated as budget authority, spending authority, credit authority, or as authority to obligate funds of the United Staes or be subject to any sequestration order or other reduction under the Balanced Budget and Emergency Deficit Control Act of 1985 or any other Act which was enacted before the date of the enactment of the Depository Institution Examination Improvement Act of 1986.

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TITLE II—SHARE INSURANCE

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NATIONAL CREDIT UNION SHARE INSURANCE FUND

SEC. 203. (a) * * *

(b) All deposits and premium charges for insurance paid pursuant to the provisions of section 202 of this title and all fees for examinations and all penalties collected by the Board under any provision of this title shall be deposited in the National Credit Union Share Insurance Fund. *No amount deposited in the fund under the preceding sentence shall be construed to be Government funds or appropriated money and no authority under this Act to spend or otherwise obligate any such amount may be treated as budget authority, spending authority, credit authority, or as authority to obligate funds of the United States or be subject to any sequestration order or other reduction under the Balanced Budget and Emergency Deficit Control Act of 1985 or any other Act which was enacted before the date of the enactment of the Depository Institution Examination Improvement Act of 1986.* The Board shall report annually to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives with respect to the operating level of the fund. Such report shall also include the results of an independent audit of the fund.

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EXAMINATION OF INSURED CREDIT UNIONS

SEC. 204. (a) * * *

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(d) The Administration may accept any report of examination made by or to any commission, board, or authority having supervision of a State-chartered credit union *(other than any such commission, board, or authority with respect to which a notice under section 6(f) of the Depository Institution Examination Improvement Act of 1986 is in effect)* and may furnish to any such commission, board, or authority reports of examination made on behalf of the Board.

(e) REQUIRED ACCEPTANCE OF STATE EXAMINATIONS.—

(1) IN GENERAL.—Except as provided in paragraph (2), the Board shall accept any report of examination made by a commission, board, or authority described in subsection (d) in connection with an examination of a financially sound insured

credit union if, in the most recent review of such commission, board, or authority by the Depository Institutions Examination Council under section 6(d) of the Depository Institution Examination Improvement Act of 1986, the Council determined that such commission, board, or authority met the minimum requirements established under section 6(b) of such Act.

(2) NOTICE OF REASON FOR FAILURE TO ACCEPT.—The Board may refuse to accept any report of examination described in paragraph (1) if—

(A) the Board determines that the commission, board, or authority which made the report fails to meet a requirement established under section 6(b) of the Depository Institution Examination Improvement Act of 1986; and

(B) the Board notifies the commission, board, or authority of such refusal and a detailed explanation of the reason for such refusal.

(3) FINANCIALLY SOUND INSURED CREDIT UNION.—For purposes of this subsection, the term "financially sound insured credit union" means an insured credit union with a CAMEL composite rating of 1 or 2 under the Uniform Financial Institutions Rating System or an equivalent rating under a comparable rating system.

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ADMINISTRATIVE PROVISIONS

SEC. 209. (a) * * *

(b) With respect to the financial operations arising by reason of this title, the Board shall—

[(1) prepare annually and submit a business-type budget as provided for wholly owned Government corporations by the Government Corporation Control Act; and]

[*(2)*] *(1)* maintain an integral set of accounts, which shall be audited annually by the General Accounting Office in accordance with principles and procedures applicable to commercial corporate transactions, as provided by section 105 of the Government Corporation Control Act.

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REORGANIZATION PLAN NUMBERED 6 OF 1961

FEDERAL HOME LOAN BANK BOARD

SECTION 1. TRANSFER OF FUNCTIONS

Subject to the provisions of section 2(a) of this reorganization plan, and to the extent not vested in the Chairman of the Federal Home Loan Bank Board (hereinafter referred to as the Chairman) in the absence of this reorganization plan, the executive and administrative functions of the Federal Home Loan Bank Board (hereinafter referred to as the Board), including the following-described functions of the Board, are hereby transferred from the Board to the Chairman:

(1) The appointment and removal of personnel employed under the Board.

(2) The distribution of business among such personnel and among administrative units of the Board.

(3) The direction of personnel who perform, or who supervise the performance of, any function of the Board or of the Chairman or of any agency under the Board.

(4) The communication to personnel employed under the Board of applicable Board policies to be followed by such personnel in the performance of their work and the subsequent enforcement of such policies.

(5) The overall management, functioning, and organization of the Board, including (a) the formulation and implementation of plans and policies designed to increase the effectiveness of the Board in the administration of the laws it is charged with administering and the initiation of ways and means of correcting or preventing avoidable delays in the performance of any work or the disposition of any business before the Board, and (b) the development and improvement of staff support to carry out the functions of the Board.

[(6) The preparation, review, and presentation to the Bureau of the Budget of the budget estimates of and other fund authorizations for the Board and the explanation and justification before the appropriate committees of the Congress of the budget estimates for the Board transmitted to the Congress by the President and of other fund authorizations placed before the Congress.]

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INDEPENDENT OFFICES APPROPRIATION ACT, 1961

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TITLE II—CORPORATIONS

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FEDERAL HOME LOAN BANK BOARD

LIMITATION ON ADMINISTRATIVE AND EXAMINATION EXPENSES, FEDERAL HOME LOAN BANK BOARD

Not to exceed a total of $1,943,000 shall be available for a administrative expenses of the Federal Home Loan Bank Board, and shall be derived from funds available to the Federal Home Loan Bank Board, including those in the Federal Home Loan Bank Board revolving fund and receipts of the Federal Home Loan Bank Administration, the Federal Home Loan Bank Board, or the Home Loan Bank Board for the current fiscal year and prior fiscal years, and the Board may utilize and may make payment for services and facilities of the Federal home-loan banks, the Federal Reserve banks, the Federal Savings and Loan Insurance Corporation, and other agencies of the Government (including payment for office space): *Provided,* That all necessary expenses in connection with

the conservatorship of institutions insured by the Federal Savings and Loan Insurance Corporation or preparation for or conduct of proceedings under section 5(d) of the Home Owners' Loan Act of 1933 or section 407 of the National Housing Act and all necessary expenses (including services performed on a contract or fee basis, but not including other personal services) in connection with the handling, including the purchase, sale, and exchange, of securities on behalf of Federal home-loans banks, and the sale, issuance, and retirement of, or payment of interest on, debentures or bonds, under the Federal Home Loan Bank Act, as amended, shall be considered as nonadministrative expenses for the purposes hereof: [*Provided further,* That hereafter expenses of the Board in making studies or investigations specifically directed by law, or requested by the Congress or either House thereof or by a committee of either House, including services authorized by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a), shall be considered as nonadministrative expenses:] * * *

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SECTION 5 OF THE HOME OWNERS' LOAN ACT OF 1933

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

SEC. 5. (a) * * *

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(d)(1) * * *

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(9) In the course of or in connection with any proceedings under this subection, the Board or any member thereof or a designated representative of the Board, including any person designated to conduct any hearing under this subsection, shall have power to administer oaths and affirmations, to take or cause of be taken depositions, and to issue, revoke, quash, or modify supenas and subpenas duces tecum; and the Board is empowered to make rules and regulations with respect to any such proceedings. The attendance of witnesses and the production of documents provided for in this paragraph may be required from any place in any State or in any territory at any designated place where such proceeding is being conducted. Any party to proceedings under this subsection may apply to the United States District Court for the District of Columbia, or the United States district court for the judicial district or the United States court in any territory in which such proceeding is being conducted or where the witness resides or carries on business, for enforcement of any subpena or subpena duces tecum issued pursuant to this paragraph, and such courts shall have jurisdiction and power to order and require compliance therewith. Witnesses subpenaed under this paragraph shall be paid the same fees and mileage that are paid witnesses in the district courts of the United States. [All expenses of the Board or of the Federal Sav-

ings and Loan Insurance Corporation in connection with this subsection shall be considered as nonadministrative expenses.]

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REVISED STATUTES

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SEC. 328. The Comptroller of the Currency shall employ, from time to time, the necessary clerks,[to be appointed and classified by the Secretary of the Treasury,] to discharge such duties as the Comptroller shall direct.

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SEC. 5240. The Comptroller of the Currency with the approval of the Secretary of the Treasury, shall appoint examiners who shall examine every national bank twice in each calendar year, but the Comptroller, in the exercise of his discretion, may waive one such examination or cause such examinations to be made more frequently if considered necessary. The waiver of one such examination as above provided shall not be exercised more frequently than once during any two-year period. The examiner making the examination of any national bank shall have power to make a thorough examination of all the affairs of the bank and in doing so he shall have power to administer oaths and to examine any of the officers and agents thereof under oath and shall make a full and detailed report of the condition of said bank to the Comptroller of the Currency: *Provided*, That in making the examination of any national bank the examiners shall include such an examination of the affairs of all its affiliates other than member banks as shall be necessary to disclose fully the relations between such bank and such affiliates and the effect of such relations upon the affairs of such bank; and in the event of the refusal to give any information required in the course of the examination of any such affiliate, or in the event of the refusal to permit such examination, all the rights, privileges, and franchises of the bank shall be subject to forfeiture in accordance with section 2 of the Federal Reserve Act, as amended (U.S.C., title 12, secs. 141, 222-225, 281-286, and 502). The Comptroller of the Currency shall have power, and he is hereby authorized, to publish the report of his examination of any national banking association or affiliate which shall not within one hundred and twenty days after notification of the recommendations or suggestions of the Comptroller, based on said examination, have complied with the same to his satisfaction. Ninety days' notice prior to such publicity shall be given to the bank affiliate.

The examiner making the examination of any affiliate of a national bank shall have power to make a thorough examination of all the affairs of the affiliate, and in doing so he shall have power to administer oaths and to examine any of the officers, directors, employees, and agents thereof under oath and to make a report of his findings to the Comptroller of the Currency. The expense of examinations of such affiliates may be assessed by the Comptroller of the Currency *without review or the approval of the Secretary of the Treasury* upon the affiliates examined in proportion to assets or re-

sources held by the affiliates upon the dates of examination of the various affiliates. If any such affiliate shall refuse to pay such expenses or shall fail to do so within sixty days after the date of such assessment, then such expenses may be assessed against the affiliated national bank and, when so assessed, shall be paid by such national bank: *Provided, however,* That, if the affiliation is with two or more national banks, such expenses may be assessed against, and collected from, any or all of such national banks in such proportions as the Comptroller of the Currency may prescribe. The examiners and assistant examiners making the examinations of national banking associations and affiliates thereof herein provided for and the chief examiners, reviewing examiners and other persons whose services may be required in connection with such examinations or the reports thereof, shall be employed by the Comptroller of the Currency with the approval of the Secretary of the Treasury; the employment and compensation of examiners, chief examiners, reviewing examiners, assistant examiners, and of the other employees of the office of the Comptroller of the Currency whose compensation is and shall be paid from assessments on banks or affiliates thereof shall be without regard to the provisions of other laws applicable to officers or employees of the United States. The funds derived from such assessments may be deposited by the Comptroller of the Currency in accordance with the provisions of section 5234 of the Revised Statutes (U.S.C., title 12, sec. 192) and shall not be construed to be Government funds or appropriated monies; and the Comptroller of the Currency is authorized and empowered to prescribe regulations governing the computation and assessment of the expenses of examinations herein provided for and the collection of such assessments from the banks and/or affiliates examined. If any affiliate of a national bank shall refuse to permit an examiner to make an examination of the affiliate or shall refuse to give any information required in the course of any such examination, the national bank with which it is affiliated shall be subject to a penalty of not more than $100 for each day that any such refusal shall continue. Such penalty may be assessed by the Comptroller of the Currency and collected in the same manner as expenses of examinations.

The Comptroller of the Currency shall fix the salaries of all bank examiners and make report thereof to Congress. The expense of the examinations herein provided for shall be assessed by the Comptroller of the Currency *without review or the approval of the Secretary of the Treasury* upon national banks in proportion to their assets or resources. The assessments may be made more frequently than annually at the discretion of the Comptroller of the Currency. The annual rate of such assessment shall be the same for all national banks, except that banks examined more frequently than twice in one calendar year shall, in addition, be assessed the expense of these additional examinations.

No authority of the Comptroller of the Currency to spend or otherwise obligate any amount received pursuant to any assessment under this section or any other income of the Comptroller may be treated as budget authority, spending authority, credit authority, or as authority to obligate funds of the United States or be subject to any sequestration order or other reduction under the Balanced

Budget and Emergency Deficit Control Act of 1985 or any other Act which was enacted before the date of the enactment of the Depository Institution Examination Improvement Act of 1986.

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SECTION 9 OF THE FEDERAL RESERVE ACT

STATE BANKS AS MEMBERS

SEC. 9. Any bank incorporated by special law of any State, or organized under the general laws of any State or of the United States, including Morris Plan banks and other incorporated banking institutions engaged in similar business, desiring to become a member of the Federal Reserve System, may make application to the Board of Governors of the Federal reserve system, under such rules and regulations as it may prescribe, for the right to subscribe to the stock of the Federal reserve bank organized within the district in which the applying bank is located. Such application shall be for the same amount of stock that the applying bank would be required to subscribe to as a national bank. For the purposes of membership of any such bank the terms "capital" and "capital stock" shall include the amount of outstanding capital notes and debentures legally issued by the applying bank and purchased by the Reconstruction Finance Corporation. The Board of Governors of the Federal Reserve System, subject to the provisions of this Act and to such conditions as it may prescribe pursuant thereto may permit the applying bank to become a stockholder of such Federal reserve bank.

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Whenever the directors of the Federal reserve bank shall approve the examinations made by the State authorities, such examinations and the reports thereof may be accepted in lieu of examinations made by examiners selected or approved by the Board of Governors of the Federal Reserve System: *Provided, however,* That when it deems it necessary the board may order special examinations by examiners of its own selection and shall in all cases approve the form of the report. The expense of all examinations, other than those made by State authorities, may, in the discretion of the Board of Governors of the Federal Reserve System, be assessed against the banks examined and, when so assessed, shall be paid by the banks examined. Copies of the reports of such examinations may in the discretion of the Board of Governors of the Federal Reserve System, be furnished to the State authorities having supervision of such banks, to officers, directors, or receivers of such banks, and to any other proper persons. *The directors shall not approve any examination by any State authority while any notice under section 6(f) of the Depository Institution Examination Improvement Act of 1986 is in effect with respect to such authority.*

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FINANCIAL INSTITUTIONS REGULATORY AND INTEREST RATE CONTROL ACT OF 1978

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TITLE X—FEDERAL [FINANCIAL] *DEPOSITORY* INSTITUTIONS EXAMINATION COUNCIL

[SEC. 1001. This title may be cited as the "Federal Financial Institutions Examination Council Act of 1978".]

SEC. 1001. SHORT TITLE.

This title may be cited as the "Federal Depository Institutions Examination Council Act of 1978".

PURPOSE

SEC. 1002. It is the purpose of this title to establish a [Financial] *Depository* Institutions Examination Council which shall prescribe uniform principles and standards for the Federal examination of [financial] *depository* institutions by the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Federal Home Loan Bank Board, and the National Credit Union Administration and make recommendations to promote uniformity in the supervision of these [financial] *depository* institutions. The Council's actions shall be designed to promote consistency in such examination and to insure progressive and vigilant supervision.

DEFINITIONS

SEC. 1003. As used in this title—

(1) the term "Federal [financial] *depository* institutions regulatory agencies" means the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration;

(2) the term "Council" means the [Financial] *Depository* Institutions Examination Council; and

[(3) the term "financial institution" means a commercial bank, a savings bank, a trust company, a savings and loan association, a building and loan association, a homestead association, a cooperative bank, or a credit union;]

(3) the term "depository institution" has the meaning given to such term by section 19(b)(1)(A) of the Federal Reserve Act.

ESTABLISHMENT OF THE COUNCIL

SEC. 1004. (a) There is established the [Financial] *Depository* Institutions Examination Council which shall consist of—

(1) * * *

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EXPENSES OF THE COUNCIL

SEC. 1005. One-fifth of the costs and expenses of the Council, including the salaries of its employees, shall be paid by each of the Federal [financial] *depository* institutions regulatory agencies. Annual assessments for such share shall be levied by the Council based upon its projected budget for the year, and additional assessments may be made during the year if necessary.

FUNCTIONS OF THE COUNCIL

SEC. 1006. (a) The Council shall establish uniform principles and standards and report forms for the examination of [financial] *depository* institutions which shall be applied by the Federal [financial] *depository* institutions regulatory agencies.

(b)(1) The Council shall make recommendations for uniformity in other supervisory matters, such as, but not limited to, classifying loans subject to country risk, identifying [financial] *depository* institutions in need of special supervisory attention, and evaluating the soundness of large loans that are shared by two or more [financial] *depository* institutions. In addition, the Council shall make recommendations regarding the adequacy of supervisory tools for determining the impact of holding company operations on the [financial] *depository* institutions within the holding company and shall consider the ability of supervisory agencies to discover possible fraud or questionable and illegal payments and practices which might occur in the operation of [financial] *depository* institutions or their holding companies.

(2) When a recommendation of the Council is found unacceptable by one or more of the applicable Federal [financial] *depository* institutions regulatory agencies, the agency or agencies shall submit to the Council, within a time period specified by the Council, a written statement of the reasons the recommendation is unacceptable.

(c) The Council shall develop uniform reporting systems for federally supervised [financial] *depository* institutions, their holding companies, and nonfinancial institution subsidiaries of such institutions or holding companies. The authority to develop uniform reporting systems shall not restrict or amend the requirements of section 12(i) of the Securities Exchange Act of 1934.

(d) The Council shall conduct schools for examiners and assistant examiners employed by the Federal [financial] *depository* institutions regulatory agencies. Such schools shall be open to enrollment by employees of State [financial] *depository* institutions supervisory agencies under conditions specified by the Council.

(e) Nothing in this title shall be construed to limit or discourage Federal regulatory agency research and development of new [financial] *depository* institutions supervisory methods and tools, nor to preclude the field testing of any innovation devised by any Federal regulatory agency.

(f) Not later than April 1 of each year, the Council shall prepare an annual report covering its activities during the preceding year.

STATE LIAISON

SEC. 1007. To encourage the application of uniform examination principles and standards by State and Federal supervisory agencies, the Council shall establish a liaison committee composed of five representatives of State agencies which supervise [financial] *depository* institutions which shall meet at least twice a year with the Council. Members of the liaison committee shall receive a reasonable allowance for necessary expenses incurred in attending meetings.

ADMINISTRATION

SEC. 1008. (a) The Chairman of the Council is authorized to carry out and to delegate the authority to carry out the internal administration of the Council, including the appointment and supervision of employees and the distribution of business among members, employees, and administrative units.

(b) in addition to any other authority conferred upon it by this title, in carrying out its functions under this title, the Council, may utilize, with their consent and to the extent practical, the personnel, services, and facilities of the Federal [financial] *depository* institutions regulatory agencies, Federal Reserve banks, and Federal Home Loan Banks, with or without reimbursement therefor.

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ACCESS TO INFORMATION BY THE COUNCIL

SEC. 1009. For the purpose of carrying out this title, the Council shall have access to all books, accounts, records, reports, files, memorandums, papers, things, and property belonging to or in use by Federal [financial] *depository* institutions regulatory agencies, including reports of examination of [financial] *depository* institutions or their holding companies from whatever source, together with workpapers and correspondence files related to such reports, whether or not a part of the report, and all without any deletions.

AUDITS BY THE COMPTROLLER GENERAL

SEC. 1010. Section 117 of the Accounting and Auditing Act of 1950, as amended by the Federal Banking Agency Audit Act (Public Law 95-320), is further amended by:

(1) redesignating clauses (A), (B), (C), and (D), respectively, and inserting in subsection (e)(1) the clause "(A) of the [Financial] *Depository* Institutions Examination Council;" immediately following "audits"; and

(2) striking out the subsection (e)(2) "and (C)" and inserting in lieu thereof "(C), and (D)".

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HOME MORTGAGE DISCLOSURE ACT OF 1975

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MAINTENANCE OF RECORDS AND PUBLIC DISCLOSURE

SEC. 304. (a) * * *

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1(f) The Federal [Financial] *Depository* Institutions Examination Council, in consultion with the Secretary, shall implement a system to faciltate access to data required to be disclosed under this section. Such system shall include arrangements for a central depository of data in each primary metropolitan statistical area, metropolitan statistical area that is not comprised of disignated primary metropolitan statistical area. Disclosure statements shall be made available to the public for inspection and copying at such central depository of data for all depository institutions which are reequired to disclose information under this section (or which are exempted pursuant to section 306(b)) and which have a home office or branch office within such primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan stastistical area that is not comprised of designated primary metropolitan statistical areas.

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COMPILATION OF AGGREGATE DATA

SEC. 310. (a) Beginning with data for calendar year 1980, the Federal [Financial] *Depository* Institutions Examination Council shall compile each year, for each primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan statistical area that is not comprised of designated primary metropolitan statistical areas, aggregate data by disclose data under section 304 or which are exempt pursuant to section 306(b). The Council shall also produce tables indicating, for each primary metropolitan statistical area, metropolitan statistical area, or consolidated metropolitan statistical area that is not comlprised of designated primary metropolitan statistical areas, aggregate lending patterns for various categories of census tracts grouped according to location, age of housing stock, income and racial characteristics.

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SECTION 1112 OF THE RIGHT TO FINANCIAL PRIVACY ACT OF 1978

USE OF INFORMATION

SEC. 1112. (a) * * *

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(e) Notwithstanding section 1101(6) or any other provision of this title, the exchange of financial records or other information with respect to a financial institution among and between the five member supervisory agencies of the Federal [Financial] *Depository* Institutions Examination Council is permitted.

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